

# Revitalize New York By Putting People to Work

A Jobs-Based Strategy for  
Economic Diversification and High-Road Growth

## LABOR COMMUNITY ADVOCACY NETWORK TO REBUILD NEW YORK

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# Revitalize New York by Putting People to Work

## INTRODUCTION

It is exciting, after a year and a half of public debate, to see the selection of a moving and smart plan for the World Trade Center site.

But it is long past due for a plan to replace the 80,000 or more jobs lost in New York City specifically due to effects of 9/11.

The rebuilding process has made several steps forward in the past 18 months.

The architectural firm chosen to give shape to rebuilding the 16-acre site, Studio Daniel Libeskind, clearly understands the basic economic reality of Lower Manhattan. The central elements of rebuilding the site are the public space, the transportation infrastructure, and the necessity of allowing development of Lower Manhattan to grow organically in relation to market conditions and civic opportunities.

Mayor Bloomberg's statement on rebuilding, New York City's Vision for Lower Manhattan is another significant step in the right direction. The mayor's plan is the first serious look by a government official at the future role of Lower Manhattan in the city's economy, and the first plan to understand Lower Manhattan in a broader context than the immediate area of the WTC site. This is the right basis for going forward. As time goes on, the city should increasingly take the lead in the rebuilding process.

In addition, by early 2003, a welcome consensus seems to have emerged that major investments in infrastructure improvements are crucial to making Lower Manhattan a more attractive location for business, workers, and residents.

If carried out well, the mayor's Vision for Lower Manhattan and the Studio Libeskind plan for the WTC site will do a lot to get Lower Manhattan back on its feet and improve the city.

But there are three crucial goals of an economic plan that are not yet worked out.

*Provide jobs now, when New Yorkers are out of work.* If the rebuilding succeeds as planned, New York will have many more jobs a decade from now than it does today. But, in the next few years, New York will have a roughly 100,000-job hole in its job market due

to the WTC attacks. The city urgently needs a countercyclical job program to put New Yorkers to work today, to help New York climb out of a deep recession. Workers need the jobs, but equally important is the need to preserve a sound business climate, which will surely suffer if there is widespread unemployment, increasing homelessness, and a cutback in city services. There is still \$1.25 billion of federal money that was allocated for post-9/11 economic revitalization that has not been spent. These funds should be used to create and retain jobs.

*Make sure new jobs are good jobs.* The rebuilding effort will provide many opportunities for creating new jobs. The city should orient its economic development strategy around making sure the new jobs are good jobs—that they provide a family sustaining wage with benefits; have low environmental impact; and are accessible to women, people of color, and immigrants. The economy of the past decade has starkly polarized New Yorkers, with the top 20 percent benefiting greatly, the bottom 60 percent losing ground, and the 20 percent in the upper middle just about holding steady. As we rebuild the economy of New York, we should make sure to use the rebuilding process to achieve adequate standards on new jobs.

*Diversify the city economy.* One of the city's key economic sore spots is its over-reliance on the financial industry. A diversification strategy should be aimed at retaining the financial sector while helping to create a growth climate for a variety of big and small companies in a variety of sectors throughout Lower Manhattan and the city.

LCAN's economic strategy has three corresponding dimensions.

**1 Liberty Jobs.** We can put unemployed New Yorkers to work today making New York City a better place for business, residents and visitors. Many of the proposals in the Mayor's *Vision for Lower Manhattan* could be accomplished with Liberty Jobs. LCAN's Liberty Jobs proposal has two components. A) Fully subsidized public service jobs can put New Yorkers directly to work in government agencies or at non-profit organizations doing work such as: upgrading parks, improving schools, providing English-as-a-Second language courses, increasing the amount of public art in the neighborhood, making public spaces accessible to wheelchairs, and providing information about the rebuilding process to visitors and residents. B) Expanding public funding to stabilize and create private sector employment by using wage subsidies to support new or existing jobs for companies or individuals that have been impacted by September 11. By partially subsidizing private-sector jobs, the program helps lower the threshold for new and growing firms to hire employees. By privileging jobs that provide family sustaining wages, Liberty Jobs would provide a boost to "high road" businesses. Eligibility for Liberty Jobs should include all unemployed New Yorkers. .

**2 Make Rebuilding a "High Road" Process.** Lower Manhattan is home to a large number of "high road" businesses—companies that have a high-end product, well-trained workers, and prices and wages based on quality. As we invest a huge amount

of public money in Lower Manhattan, we should make sure the new businesses achieve the "high road" standard. Similarly, the rebuilding process itself provides the city with ample opportunity to foster the creation of jobs with high-road standards. The city can use procurement policies, zoning, and a number of other levers to make it possible for construction and other needs to be met in New York with high standards for workers, and good access to jobs for all New Yorkers. The high road is the only model that makes sense for Lower Manhattan—businesses that rely on cheap labor will always be able to find cheaper. Conversely, providing public support for "low road" businesses is bad policy, since it is not only bad for workers, it is also bad for high road competitors.

**3 Establish Sector Groups.** Guiding the overall rebuilding process should be a basic shift in economic development policy. New York should move away from its long-standing tradition of making reactive, firm-by-firm deals to attract and retain companies. Instead, the city should work to diversify the downtown economy by following what is commonly called a sector approach. The city should begin with its own capacity to analyze the Lower Manhattan and city economy, much like the Economic Policy and Marketing Group that worked under the Deputy Mayor for Economic Development during the Dinkins Administration. In addition, it should use rebuilding as an opportunity to establish sector groups among all the major sectors of the downtown economy—finance, hotels, restaurants, high-tech, culture and arts. Sector groups would involve business owners (or nonprofit heads of organizations), government representatives, labor leaders, and university-based experts. The sector groups would identify obstacles to growth in a sector, and work to remove them. This is a strategy for growth, not just attraction that draws business out of other areas. It is a way to help small firms, not just big ones. And it moves the city away from failed strategies of "picking winners," and toward a well-planned, deliberative, and fair approach to economic and workforce development.

In a time of crisis for the City and the nation, the city needs to take leadership of the rebuilding effort. Buildings are just the beginning. The goal is to create an exciting environment in which good businesses and communities will thrive. There is money available for this project—the \$1.25 billion of remaining Community Development Block Grant money allocated by Congress to the Lower Manhattan Development Corporation for economic development. The city should propose a bold, jobs-led economic development plan that will do justice to the purpose for which Congress allocated this money to rebuild New York. Not to prop up real estate prices, but to create jobs and reinvigorate the economy.

On September 11, New York suffered a severe economic blow. While the attack was directed at the World Trade Center towers, the impact shot through major arteries of the city. The airports, in Queens, experienced the largest economic loss of any industry, 20 percent. Manhattan's Chinatown saw 25 percent of its workforce become unemployed in the battering inflicted on its three core industries, garment manufacturing, restaurants and tourism. Restaurants and hotels throughout the city all saw sharp business declines.<sup>i</sup>

In most recessions, cities and states look primarily to the federal government to provide economic stimulus. With few exceptions, cities and states are prohibited from the kind of deficit financing that allows the federal government to "prime the economic pump" during a recession. Unfortunately, the \$674 billion economic plan proposed on January 7 by President Bush provides very little near-term economic stimulus; it fails to provide much-needed fiscal relief to state governments facing unprecedented budget deficits; and it offers only a modest amount of money for job retraining despite the fact that the real need is for job creation.<sup>2</sup>

While the national economy

## The Job Crisis in New York

New York City's economy continues to be substantially harder hit than the nation's. In the industries most impacted by the terrorist attack, New York City suffered job losses five times as great as the nation.<sup>i</sup> Unemployment in the city was 8.4 percent in December, 2002. For Hispanic New Yorkers, the unemployment rate is an estimated 10 percent, and for Blacks, about 11 percent. Not all economic loss in the city was due to the attacks. But the aftermath of September 11 accounts for approximately half of the 174,000 jobs lost in New York City since the peak month of December 2000. In the year after 9/11, half of the unemployed people in the city had been out of a job for over six months.<sup>ii</sup>

The two-year job decline in NYC from the WTC attack and the recession may well reach six percent. And there is every indication now that the eventual recovery from this recession will be as gradual as the national and local "jobless recovery" from the early 1990s recession. If so, it could take New York City until 2007 to recoup the jobs lost over the past two years.<sup>iii</sup> Thus, it might be 2006 or 2007 before the unemployment rate in NYC falls, or for most families to experience real economic gains.

More alarming still is the data on wages. Total wages paid in NYC fell by 10.1% in the 1st half of 2002 compared with the 1st half of 2001. Several of the city's leading export-oriented industries saw wage declines exceeding 15% over the period, including securities, computer services, magazines, advertising, motion picture production, life insurance, women's apparel production, and museums.<sup>iv</sup>

Corresponding signs of economic distress for New York's working families are mounting: mortgage delinquencies and personal bankruptcies are on the rise, record numbers of families are homeless, and the numbers of people turning to soup kitchens and food pantries are skyrocketing. The social safety net has frayed considerably over the last decade. Far fewer people have been able to get food stamps in the first 20 months of this recession than during the same period of the 1989-92 recession, despite greater job loss. Public assistance caseloads rose during the last recession and fell during this one. A poll conducted for the Community Service Society in the summer of 2002 found that well over one-third of low-income New Yorkers faced three or more economic hardships like unemployment or declining wages over the previous year.<sup>v</sup> And, unemployment insurance payments in NYC restored 34% of the wages lost in NYC during the last recession, a far higher percentage than during the first two years of this recession. The steady deterioration in the local economy has emerged as the major issue facing New Yorkers.

i. Fiscal Policy Institute, "Tale of Two Recessions: The Current Slowdown in NYC Compared to the Early 1990s," December 3, 2002.

ii. Mark Levitan, "One Year On: Unemployment and Joblessness in Post September 2001 New York City," (December 2002: Community Service Society).

iii. Fiscal Policy Institute, "Tale of Two Recessions: The Current Slowdown in NYC Compared to the Early 1990s," December 3, 2002.

iii. This mirrors the city's projection in the mayor's Executive Budget, released on January 28, 2003.

iv. NY State Department of Labor, Insured Employment data.

v. CSS, "The Unheard Third," October 2002 ([www.cssny.org](http://www.cssny.org)).

continues on hold—with signs of war clouding the prospect for recovery—in New York City, unemployment is becoming severe in New York. Unemployment in the city is also becoming an increasingly prominent political issue. In a mid-January New York Times poll, 66 percent of New York City residents said the condition of the city's economy was "bad," up from 46 percent in June, 2002 (NYT, 1/17/03). (see sidebar "The Job Crisis in New York")

Today, New York City has the opportunity to tap some of the federal funds provided to repair the 9/11-related economic damage. Federal funds for economic rebuilding took four forms: \$4.55 billion approved for infrastructure/transportation from FEMA was the largest part of the infrastructure money; \$5 billion in federal tax credits; \$8 billion in Liberty Bonds (\$1.6 billion to be used for housing and \$6.4 billion for office, commercial construction, retail, and public utilities); and \$2.7 billion in largely unrestricted Community Development Block Grant money. This is money that can provide a fiscal stimulus locally. This is a major opportunity.

New York is still in a serious economic downturn, far worse than the nation as a whole, and this is significantly related to September 11 impacts. The Liberty Jobs program is an essential tool that should be used immediately to provide a real stimulus to the local economy, and the remaining CDBG money should be used to implement it right away.

1. Job loss data from "The Employment Impact of the September 11 World Trade Center Attacks: Updated Estimates based on the Benchmarked Employment Data," (Fiscal Policy Institute, March 8 2002). Chinatown estimates from "Chinatown, One Year After September 11: An Economic Impact Study" (November 2002, Asian American Federation of New York), available at [www.aafny.org](http://www.aafny.org).

2. State Comptroller Hevesi estimated that the elimination of the tax on corporate dividends will likely mean that New York will no longer be able to tax this income source, a result that would add \$125 million to the NYC budget deficit and \$550 million to the NYS budget gap.

## **LIBERTY JOBS**

### **Supporting Public and Private Sector Jobs to Revitalize New York**

The CDBG money allocated by the federal government to revitalize the economy of Lower Manhattan can be put to dual use through a program of funding for jobs that can put people to work and improve the climate of the rebuilt areas. These would be jobs in the public, private, and nonprofit sectors. And they would be jobs available to any of the nearly 300,000 people in the city who are currently unemployed, most of whom received no assistance from the limited public or private disaster relief pro-

grams. At the same time, the city should lobby Congress for a technical amendment to the CDBG money, to allow it to be used to create a job-creation program in all the areas that lost jobs because of 9/11, not just the limited Liberty Zone.

One piece of the Liberty Jobs program would create fully subsidized public service jobs. These would go to government agencies and nonprofit organizations that can show that programs they propose would have a clear benefit to the revitalizing of Lower Manhattan.

Another piece would finance partially subsidized private sector and nonprofit jobs. These would be jobs that would give a boost to the industries that can thrive in Lower Manhattan's high-road economy. They would be jobs in the connected areas and industries that are linked to Lower Manhattan—e.g. the Queens airports, Flushing (tied to Manhattan's Chinatown), Long Island City, downtown Brooklyn; restaurants, hotels, printing. And they would be jobs in areas affected by the 9/11 economic impact that need assistance in rebuilding their local economic and social fabrics.

Importantly in the current fiscal context, this program would have positive budgetary implications for the city and state. Paying to put unemployed people to work will be a federal expenditure, drawn from the CDBG funds. But it will be a net positive on the city and state treasuries because of increased tax revenues from business and individuals, and reduced costs for welfare and homeless services. The state unemployment insurance fund and the businesses that pay into the fund will benefit from reduced unemployment claims.

Liberty Jobs will thus provide multiple benefits. They will create a positive business and community climate right now, while the city waits for the long-term impact of the rebuilding. They will put people to work at a time of severe unemployment. They will provide a fiscal stimulus to the city economy. And they will take advantage of available federal money for rebuilding to ease pressure on the city and state budgets (since job-holders will pay local income and sales taxes).

#### **A. PUBLIC SERVICE JOBS**

##### **To Seed Future Growth and Put New Yorkers to Work**

Public service Liberty Jobs could be a great way to boost morale in the city, by putting unemployed New Yorkers to work in rebuilding the city and creating a positive environment for the businesses and communities of Lower Manhattan.

In order to identify areas where public service jobs would have the greatest impact, the city should put out a request for proposals from nonprofit groups and from public agencies for fully subsidized jobs that relate to rebuilding New York after the WTC attacks.

The key criteria for evaluating the proposals would be: Do the proposals significantly improve the dynamism of Lower Manhattan as a business center, cultural attraction, and community to live in? And: Do the jobs provide meaningful employment, training, and job experience for unemployed New Yorkers (whether they are unemployed as a direct result of 9/11 or for any other reason)?

These jobs should be a clear addition to public service, not a replacement of government employees. There should be a range of types of jobs, all with a time limit of up to two-years, with assistance toward the end of the period of work for finding other employment. The jobs should come to an end as rebuilding winds down, either because they have added to the infrastructure of the city, or because they are specifically tied to the rebuilding effort.

The need for public service employment is clear. The private sector is simply not creating jobs right now. In the two years following the NYC economic peak in December 2000, there has been net job growth of over 1,000 jobs in only one non-government-related industry (legal services).<sup>1</sup> A public service jobs program is a natural fit for the current situation, where there is federal money, high unemployment, and a need to reassure residents and businesses that Lower Manhattan is a vibrant and exciting place.

Public Service Liberty Jobs could begin with putting people to work implementing the mayor's *Vision for Lower Manhattan*. Hundreds of unemployed New Yorkers could help create the open spaces, tree-lined streets, and markets roughly outlined in the *Vision*. As the mayor's *Vision* develops, it should put a priority on those projects that put New Yorkers to work now.

But the Liberty Jobs could expand beyond Lower Manhattan, and beyond the current scope of the mayor's *Vision*, to include such work as:

- o *Upgrading parks throughout Lower Manhattan and the city.* Removal of debris from the World Trade Center took away scarce park and playgrounds in Lower Manhattan. The paucity of green areas and play space is (together with lack of schools) a key drawback for families living in Lower Manhattan. In Chinatown, the Lower East Side, and on the East River, this would entail physical upgrading. In the area immediately around the WTC site, it might mean organizing athletic events creatively in as many venues as possible, and making use of space as it is available during a time of extensive construction.

- o *Commissioning public arts projects: for schools, parks, government buildings, public spaces, and public housing.* This will give a sense of vibrancy to Lower Manhattan, and help knit the very different communities together. It will also provide energy to the downtown cultural scene by putting artists to work. These jobs would be project-based commis-

sions rather than a specified term of employment.

o *Making all public spaces universally accessible.* These are improvements that assist people with shopping carts and baby carriages as well as helping people in wheelchairs and older people.

o *Establishing emergency safety plans for kids.* Safety in an emergency has replaced crime as the most salient threat New Yorkers feel to their physical safety. Liberty Jobs workers, based at nonprofits or public institutions around the city, could make sure every school, daycare center, after-school program, and child care facility has an adequate emergency system in place. And Liberty workers can make sure parents and caregivers know about the plan, and feel comfortable with it.

o *Providing information about the rebuilding effort.* In other cities, major construction projects have been accompanied by significant public-information services. With thousands of visitors and nervous residents, New York should have a system for making sure people know what's going on in the rebuilding.

o *Providing English as a Second Language classes.* Language training will be a critical factor for matching the many immigrant workers displaced by September 11 to the job market. ESL classes will put people to work as ESL teachers, and can prepare students to get jobs.

Some of these should be 2-year jobs to extend until private-sector job-creation picks up. But others should be short-term or project-oriented, to help get people back on their feet and to aid the rebuilding process.

In addition to the above types of Liberty Jobs, there are three types of jobs that deserve particular attention:

o *Jobs that have flexible or part-time hours.* This is a key for university students, parents of young children or people pursuing parallel careers (such as visual artists, writers, performers). For people pursuing parallel careers, these might be jobs in fields related to a person's expertise—artists doing illustrations for books, media experts working on training films. Or they might be jobs in unrelated fields that allow people flexible hours that allow them the time to work, practice, perform, or otherwise pursue the career to which they aspire while at the same time earning a living. Putting people to work in a way that maximizes their ability to develop their talents and follow their aspirations vastly enhances the city's cultural capital, productive capacity and vitality as a world cultural center.

o *Transitional jobs.* Several other states have successfully used subsidized employment as a way of creating transitional jobs for people leaving welfare. New York City has experimented with this on a small scale with the Parks Opportunity Program. The

rebuilding effort should make use of and learn from the experience gained in the past years' work with the POP program, making rebuilding the occasion to extend POP jobs to a two-year rather than one-year program, and putting people to work in meaningful parks improvement jobs. In particular, meaningful education, training, and work experience must be a substantial part of any transitional jobs program if the people who work at these jobs are to be in a position to take advantage of private-sector opportunities when the transitional job is no longer available.

o *Summer jobs for youth.* The city's existing Youth Employment Program has been proven over time to be a successful way of constructively engaging the city's young people in the short-term and helping to set them on a positive career path in the long term. What better occasion to put young people to rewarding summer work than in rebuilding New York?

YEP is now slated to provide jobs for only 5,000 young people (at a cost to the city of \$5 million), but in past years it has provided jobs for up to 50,000 youth. During the post-9/11 recession, that is a goal that still makes sense. Minimum wage is the standard for summer youth jobs; this is the one instance where minimum wage is appropriate. As in other areas, this should not substitute for other government funding, but should be a logical addition based on the large number of unemployed youth as a result of September 11's

## Where Did the Money Go?

So far, the majority of the \$2.7 billion allocated by Congress to repair 9/11's economic damage has been used to prop up real estate prices, with little focus on putting people to work at making real improvements in the city.

In the confusion following September 11, the LMDC made scores of cash grants to companies, large and small, giving away \$1 billion in less than a year, in exchange for commitments to remain in Lower Manhattan for the next few years. The results have been disappointing. While residential vacancy rates have gone down, even with heavy subsidies commercial vacancy rates are still very high. For most firms, the grants being offered, although huge in aggregate, are too small to make any real difference in a major decision like location. At least one high-profile recipient of a retention subsidy, American Express, has publicly stated that the \$23 million it received had no impact on its decision about moving back downtown. ("Big Money to Stay Near WTC, *Newsday*, June 3, 2002.)

The truth is, these location-based subsidies are more helpful to the real estate industry than they are to the companies that receive the grants. Investments in public infrastructure and in the skills of city residents would be a much more effective economic development approach and would be a surer way to increase long-run real estate values.

The city seems already to be rethinking its support for firm-by-firm subsidies. As Mayor Bloomberg said on the occasion of turning back a \$14 million tax break to his media company, Bloomberg LLP, "any company that makes a decision as to where they are going to be based on the tax rate is a company that won't be around very long." When Deputy Mayor Dan Doctoroff was questioned about why he didn't ask whether companies receiving subsidies were considering relocating before giving a subsidy, his response was, "everyone lies about it" ("*Wall Street Giants Offered Grants for Staying Put*," *New York Times*, 3/21/02). And in January 2003, New Jersey announced the suspension of its incentive program, to which the Deputy Mayor responded, "It's time that the competition based on incentives be put to an end." ("*Budget Crisis Ends Program That Lured Jobs to New Jersey*," *New York Times*, 1/31/03.)

The city should draw a firm line on corporate retention deal-making. Instead of individual incentives, the city should concentrate on a high road, jobs-based strategy for helping small- and medium-sized as well as larger firms not just to stay, but to grow. The city's top economic development priority should be to make sure New York generates good jobs for all New Yorkers and for the region.

The mayor recognizes that while Lower Manhattan is a high cost environment for business, it is also a high value location. Businesses looking for what the mayor has called the WalMart of business locations will go elsewhere. But the mayor has not yet focused on the employment side of the equation. As with real estate, the city needs to place its attention on increasing the value and price of labor, in Lower Manhattan and around the city.

effect on the economy.

Public Service Liberty Jobs would be a unique chance for unemployed New Yorkers to connect with and feel good about the city. Liberty Jobs hats, t-shirts, caps, and a public outreach campaign could substantially improve the psychological climate of the city's communities, making it clear that we're all in this together: people who are unemployed are helping rebuild the city, and the city is helping people who are unemployed.

There has been a long, and somewhat mixed, experience with public service job creation in the US. A study of the literature on the subject, conducted by the respected professor Burt Barnow of Johns Hopkins University, came to the conclusion that the research shows a definite benefit to public service job creation. Barnow argues that the public service employment is particularly effective in having a structural effect on the economy (such as diversification, and setting a wage floor), and in creating good job opportunities for people who are unemployed. Situations in which the goal is short-term employment substitution, as in New York right now, are particularly suited to the creation of public service jobs, Barnow points out. PSE works best, Barnow concludes, when a job-creation program is new and short-term, since one area of concern about public service jobs is that when they are in place for a sustained period of time the PSE may come to substitute for jobs that would be created even without the PSE program.<sup>2</sup>

Barnow also points out that public service employment can only provide a countercyclical stimulus if it is put in place quickly enough to create jobs during the recession, which is often not the case. In New York, two factors make it more likely that PSE would provide a stimulus that is not too late. First, a job creation plan still has a strong opportunity to be countercyclical, since economists are predicting the eventual recovery will be very slow to generate job growth. Second, because there is money already on the table (the CDBG funds), there would not be the usual legislative process in getting authorization for the program, which would be a significant reduction in the usual time needed to get a program underway.

CETA, the Comprehensive Employment Training Act that put many people to work in public service employment in the 1970s and early 1980s has at best a mixed reputation nationwide. Yet, in New York, CETA had an unusually positive history. While some cities might question their ability to manage public service employment effectively, New Yorkers have good reason to think it could work well here. In addition, Richard Nathan, of the Rockefeller Institute of Government, questions CETA's negative reputation. He summarized the results of a five-year study of CETA Public Service Employment (PSE) programs in 40 locations in 32 states in understated terms: "As an anti-recession tool, the conclusion of our research was that PSE worked pretty well."<sup>3</sup>

## B. STABILIZE AND CREATE PRIVATE-SECTOR EMPLOYMENT Through Wage Subsidies

A portion of the CDBG funding should be used to strengthen the private sector, giving a boost to firms that follow a high-road model.

A modest employment stabilization and job creation program using wage subsidies is already an important part of the recovery effort. One of the federal government's first economic responses to the September 11 attacks was a wage subsidy program in New York City. The Consortium for Worker Education's Center for Workforce and Economic Development, a member of LCAN, administers this important wage subsidy program. CWED allocates wage subsidies to primarily small and mid-sized businesses so that they can maintain their workforce rather than downsizing due to the current economic downturn. The Center has already allocated over \$10 million for worker salaries in order to re-hire, retain, and promote nearly 2,500 individuals. This employment stabilization program is currently the city's only demand-side solution to the employment crisis.

A wage subsidy program should be expanded on this model, through a sectoral approach, to improve the business atmosphere in Lower Manhattan and around the city. While it is important not to subsidize jobs or businesses that are simply not sustainable, the situation in New York after September 11 is not typical. Any recession includes a "cleaning out" of businesses that are not viable in harder economic times. But the situation in New York after September 11 is different: the shock of the terrorist attacks created an artificial situation in which otherwise viable businesses were shut down or forced to lay off workers.

The city should approach rebuilding the economy with the same determination as we have approached rebuilding at the World Trade Center site: that we can make it better than it was before. In expanding the wage subsidy program, the city should identify all the major sectors of business that make Lower Manhattan tick: finance, new media, technology, retail, hotels, restaurants, building services, cultural institutions, nonprofit service providers, etc. Grants should be made to appropriate intermediary institutions that would administer the program.

\*There would be two types of subsidy:

o *90-day stabilization subsidy*: Many firms are still experiencing difficulties in stabilizing their businesses, and are likely to lay off employees. In this instance, a wage subsidy of 90 days is appropriate to help the business retain key people likely to first be laid off. The subsidy could be at 50 percent of wages (with a maximum limit), and there might be a "bonus" to employers of 10 percent of wages if they retain employees for

90 days after the subsidy. The program should have clearly defined criteria and an ability to have real due diligence on making sure firms that apply for retention money otherwise have no choice but to fire workers.

*o 180-day job-growth subsidy:* Despite an overall lack of job growth, some firms are starting up or growing. A 180-day subsidy of 50 percent for wages of new employees would provide an added stimulus, lowering the threshold for expansion and new start-ups. Again, a "bonus" to employers would be allowed for retaining employees for the following 180 days.

An RFP process would allow for companies or nonprofit groups to make proposals to the intermediary. These would be evaluated on the basis of several criteria: viability of the business and the job, providing opportunities for training and career ladders, provision of benefits, and paying of prevailing wages in the industry. Setting the standards for the industry would best be done by a sector group, but a prototype of this kind of group could be assembled in each industry for the task of setting standards quickly.

Wage subsidies have already been an important part of the recovery process. Extending the wage subsidies and linking it to a new city sectoral strategy, would provide a boost to business, to the downtown climate, and to employment.

1. FPI analysis of NYS Labor Department data.

2. Burt Barnow, "The US Experience with Public Service Employment Programs," Institute for Policy Studies and Johns Hopkins University, September 2 1994 draft, and telephone interviews in 2002. Barnow also points out that public service employment can only provide a countercyclical stimulus if it is put in place quickly enough to create jobs during the recession, which is often not the case.

3. Richard P. Nathan, "Public Service Employment: Lessons from U.S. Experience in the 1970s," in Ray Marshall, ed., *Back to Shared Prosperity: The Growing Inequality of Wealth and Income in America*, Armonk, NY: M.E. Sharpe, 2000.

## **Implementation**

1. Mayor Bloomberg endorses the LCN Jobs Strategy and commits that the remaining \$1billion+ in CDBG funds will be used to implement the jobs program. Mayor establishes job-creation goal of 25,000 within 9 months and 75,000 within 24 months.

2. The Mayor appoints a blue ribbon Emergency Jobs Task Force, comprised of civic, community, labor and business leaders, to advise him on establishing the jobs program. The Mayor designates Deputy Mayor Doctoroff to spearhead the implementation effort.

3. With input from the Task Force, DM Doctoroff prepares two 30-day RFPs: the first one for use of wage subsidies to create and retain private sector jobs; the second one for use by non-profit, for-profit or governmental entities to create publicly-funded service jobs. Sector groups set standards for wages and benefits in each industry (see section 3).

4. Mayor awards RFPs within 75 days of announcing the Jobs program. First workers hired within 100 days.

## MAKE REBUILDING A HIGH-ROAD PROCESS

### So That New Jobs Are Good Jobs

As we look to create more jobs, we should work to create good jobs. Lower Manhattan has historically been a place for New Yorkers to find well-paying work. Jobs connected with "Wall Street" of course tend to be highly remunerative, but people forget that Windows on the World was the restaurant with some of the best salaries in the city for that industry. Up and down the spectrum, workers in Lower Manhattan tend to be well paid for their industry--from buildings workers, printers, and food service employees to lawyers, filmmakers, and new media employees.

As we invest in the recovery of New York, we should make sure that anything the rebuilding process touches rebounds with jobs that meet at least at the minimum standard of the jobs for working people that were there before. We need to reconstruct the shattered wage floor that helps workers who are one or two rungs up the economic ladder from those at the bottom. Enforcing a higher standard for standard businesses also means that high-road employers do not have to compete against unfair competition.

Beyond "cutting-off the low road," plans for redevelopment also need to "pave the high road." In a dense urban setting, this means in large part fostering an environment where skilled workers want to come (and for that matter want to and can afford to live), and where innovative small and medium-sized firms can find the affordable space, support, and interaction they need for sustainable growth.

New York is often seen as a hostile environment for the expansion of small and medium sized businesses. A particular hurdle is often the lack of affordable and appropriate real estate. Protected "incubators" (for start-ups) and "accelerators" (for somewhat larger companies) would be a perfect use of new office development at the World Trade Center site at a time when the market for office space is soft. Incubators and accelerators can play an important role in helping small companies get to the scale where they achieve financial independence, and clustering them in one location

allows for ready sharing of services and technology. Incubators and accelerators provide essentially the same services to a differing clientele: they provide clustered office space and shared business services. New York has several successful examples of these kinds of projects (e.g., the Greenpoint Manufacturing and Design Center in Brooklyn, the NY Information Technology Center at 55 Broad Street in Manhattan; the Falchi Building in Queens). Other cities, notably Paris, have done this on a much larger scale and with substantially more financing from local government. Accelerators, in particular, pave the high-road by encouraging start-up companies to make it to the level of annual revenue and organizational stability needed sustain meaningful numbers of "good" jobs accessible to New York City residents.

Film, high-tech, new media, culture and other vital sectors thrive on live/work environments in vibrant neighborhoods. As Richard Florida has documented, what makes an area attractive to the leaders of knowledge-based industries is areas with significant diversity—cultural, racial, and economic. Mixed-income housing, with a portion set aside for affordable rates for people at all levels, is a goal for social justice, but it is also a goal for attaining the 24-hour, mixed-use neighborhood that was the first vision out of virtually every report immediately after 9/11/01.

For all businesses in the rebuilding region, child care will be a key need, but it will be especially difficult for smaller or growing businesses. Fostering opportunities for childcare that is shared between different small or mid-sized firms would provide a key benefit to Lower Manhattan, and could be a source of a substantial number of new jobs. In the buildings new buildings near the WTC site, child care facilities might be designated at a ratio equivalent to the need the new office space creates, helping to make these buildings "state of the art" not only in terms of environmental impact or information technology, but also in terms of social impact. By the same token, child care work, in much of the city, pays very low wages. If child care in the WTC site buildings set a higher standard, providing language training for immigrants, decent wages, higher wages, and an above-boards choice for parents, this would help lift the standards for workers in other childcare facilities.

Good career ladders, too, can be encouraged in the high-road zone, which will be good for both business and employees. Public money can be strategically invested in upgrading the skills and positions of workers who already have jobs, thereby creating space at the entry level. Support is especially necessary to create reasonable opportunities for those with low levels of formal education, whether through the development of Associates' degree level credentials that provide opportunities to increase wages, or through Union-based apprenticeship systems, or through other means. Especially in industries where small companies can't afford their own training programs—such as social services or tourism or new media—there is a strong indication that training that matches an industry career ladder would also create greater efficiencies within the industry.<sup>1</sup> Having these programs available to workers would not

only for employees, but it would naturally be very attractive to businesses that want to grow by investing in their workers

In order to ensure that Lower Manhattan maintains and builds on its history as a provider of relatively high road jobs, especially in the retail and service sectors, the city should put into place job quality standards as conditions for companies that benefit from rebuilding subsidies. Standards in place in other parts of the country (notably in Los Angeles, which has integrated groundbreaking "Community Benefits Agreements" into several of its largest development projects in the last few years) include: livable wage floors, health benefits, guarantees of protection for workers who choose to form unions, training and development opportunities, and an ongoing requirement of compliance with all local, state, and federal laws, including labor, environmental, and health regulations.

To work well, job quality standards must be high enough to make a significant impact Lower Manhattan and its workforce and feasible enough in terms of cost and monitoring requirements to be supportable by the City and local businesses. Achieving a balance between these two goals requires rules to be negotiated around such issues as which businesses will be covered, where wage levels will be set, and how the agreements will be monitored and enforced.

Businesses that benefit from subsidies tied to rebuilding efforts at or over a minimum threshold should be subject to meeting minimum standards. Benefits can be transmitted through cash grants, tax liability reductions, discounts on energy, sales tax exemptions, credits tied to the number of employees, rent reductions, etc. In order to maintain fairness in coverage, companies that receive benefits indirectly, i.e., as major tenants or subcontractors of the direct beneficiaries, must also be included.

A living wage, based on a self-sufficiency calculator for the New York City metropolitan area should serve as the floor for any company benefiting from public subsidies. Above that floor, compensation levels vary from industry to industry. Sector groups could be used to help set appropriate levels of compensation that could then be codified as "prevailing wage" levels under the City Comptroller.

Job quality standards must be included in written agreements, negotiated and signed by government officials in collaboration with community groups, and the companies receiving benefits. This agreement should include "clawback" or recapture language stipulating that benefits will be forfeited, possibly with penalties, if a company falls below the required standards. Recapture provisions are already standard practice for most of the city's commercial retention deals. Monitoring responsibilities usually rest with the city comptroller as well as relevant community groups. The written agreements should provide for regular meetings of business leaders, workers, community groups, and city officials to assess progress and provide input about the direction of the program.

As with other elements of a high road strategy, job quality standards provide benefits at multiple levels. Workers gain directly, the local business climate improves, neighborhoods throughout New York City see increased spending as workers make purchases near their homes, the city promotes a sound long-term economic development policy, and the local community feels increasingly involved in the economic revitalization of the neighborhood.

Finally, there are several specific actions that can help "cut off the low road" of economic development.

The continuing existence of sweatshops in New York continues to be a disgrace to the city. Lower Manhattan is a perfect place to put a stop to sweatshop labor. Many studies have pointed to sectors of the local economy where minimum wage and other labor laws are routinely violated. Attorney General Eliot Spitzer's work with the green grocer sector represents a model to cut off the kinds of low standards that have come to pervade certain industries and put downward pressure on the rest of the low wage labor market.

While the restaurant industry is currently struggling, this is an area that saw enormous job growth in the mid-to-late 1990s. Many restaurant jobs are quite poorly paid. The city should make it a priority to ensure that minimum standards are established and enforced across the industry, bringing up standards in the most promising segments. The Restaurant Opportunity Center of New York (ROC-NY) is a fledgling sector intermediary institution set up by displaced Windows on the World workers that is already beginning to work on these questions.

Another example of how to promote high road standards is New York Fashion Space, a not-for-profit corporation that will acquire and maintain space that will be affordable for apparel manufacturing in Chinatown. These facilities, which would be contained in several buildings, would provide state-of-the-art production, management and marketing technologies that would create competitive advantages that permit marketing strategies aimed at more sustainable high end markets. Criteria for tenant selection will include compliance with labor and other regulations. NYFS is a collaboration between the Garment Industry Development Corporation, the Union of Needletrades, Industrial and Textile Employees, Asian Americans For Equality and the New York Industrial Retention Network

The social services industry is another area that grew very rapidly in the 1990s, and in fact has continued to grow during the recession. This is by and large a low-wage industry, and one where low wages are set by the structure of government contracts and government policy. The City should enact a new living wage bill, with a wider scope than the first one. CDBG money might be used to ease the transition and cover the cost of added services during the post-9/11 recession. And targeted efforts should

be made to intervene in the labor market through the creation of Associates' degree level credentials that allow social service workers (the vast majority of whom have high school training or less) to take intermediary steps up career ladders short of the often insurmountable hurdle of obtaining a bachelors' degree.

At the state level, raising the minimum wage is one of the most important ways to help low-wage workers. New York's minimum wage workers are poorer than in any other high-wage state. New York's minimum wage should be raised at least to the standard of other high-wage states, and it should be indexed to inflation. Other high-wage states have a minimum wage ranging from \$6.15 to \$6.90 per hour.

Simply enforcing laws that already are on the books would also have a surprisingly large impact. As part of a rebuilding effort, the city and state have the responsibility to more aggressively enforce laws connected to wages, hours, working conditions, health and safety, and compliance with building codes. By doing this, we take the opportunity to push the economy onto a more economically and socially sustainable development path. In addition to increasing the budget for enforcement agencies, enforcement of labor law can be accomplished by creating task forces to address industries with chronically exploited workers, such as home care, garment, restaurants, taxi and livery cab drivers, and others. This kind of effort also more than pays for itself, as it pushes workers from the "informal" economy into legitimate (and tax-paying) jobs. Enforcement of labor law should be paired with assistance to small businesses, so that they can compete "above ground."

In addition, the building process itself will naturally create jobs. But public policy should be oriented to make sure that they are good jobs, that the building process creates the maximum number of "multiplier" jobs, and that all New Yorkers can have access to jobs for which they could be qualified. This is where the largest amount of rebuilding money will go—with billions in private investment following public investment of a scale not seen in the city in years. This money should be used to gain the maximum public on as many levels as possible.

Investing in infrastructure, especially public transportation infrastructure, is one of the most important things New York can do to restore and improve its economy. But the region is currently in danger of taking on so much that it winds up doing very little. There is a long list of very large public projects on the table, but the financing is not in place to build even a quarter of these projects. These include the proposed \$4 billion tunnel to accommodate a "one-seat ride" to the airport from Lower Manhattan, the 2nd Avenue Subway, the extension of the LIRR to Grand Central Station, and extending the #7 train to the far west side of midtown. We need to prioritize, get one project underway, and then move on to the next. This will get more done in the long run, put more people to work today, and create a steady flow of jobs rather than a sudden demand and then an equally sudden dropoff.

As construction work expands, there should also be attention to who gets the construction jobs. The unionized construction trades offer one of the best sources of living wage jobs for New Yorkers without college degrees. With the job needs of the city so pressing, the city should ensure that public construction work delivers the maximum benefit to the city by using it to launch low-income New Yorkers on paths to careers in the trades. The LMDC, the mayor, and the city council should require that New York City residents receive a fair share of jobs on public construction projects. In order to ensure the highest quality training, and to help unionized contractors compete fairly for public work, contractors on public construction projects must also be required to have state-approved apprenticeship programs. Pre-apprenticeship training should also be provided, with special attention to making sure there is good access for city residents, women and people of color.

The rebuilding of Lower Manhattan also should provide a large demand for the materials to build the "next generation" of environmentally efficient buildings anticipated to be constructed in Lower Manhattan. Many of the necessary supplies, from photoelectric cells to recycled carpets, are not readily available elsewhere, and can and should be developed and produced in New York. Increasing demand for locally produced, environmentally sound products will add healthy, stable jobs in the manufacturing sector and encourage the upgrading of existing production facilities to meet higher environmental standards, improving conditions in and around the workplace. Manufacturing green products in New York will minimize transportation costs and energy, reduce local waste streams, and create a close link and good communication between producers and consumers. One natural place to think about locating green manufacturing operations is on reclaimed brownfield sites. Bringing environmentally contaminated land up to the standard for use in manufacturing could be an ideal solution for land that may never be able to come up to the standard for residential or other uses. While Lower Manhattan reconstruction will provide a local demand for these products, once the industries are established they could have good export potential—which would add to the reasons to make Lower Manhattan a world-class model of environmental efficiency.

At the same time, the mayor's vision for Lower Manhattan includes a substantial amount of new housing construction. The proposals of the Liberty Bonds Housing Coalition, a spinoff of LCAN, also outlines the possibility for extensive mixed-income housing construction and rehabbing related to rebuilding, both in Lower Manhattan and in neighborhoods where the rebuilding effort creates demand, such as in Downtown Brooklyn. The coalition has put forward a proposal for how to create a substantial amount of housing using existing federal funds. The mayor, in his housing address as well as in his address on rebuilding New York, also set out a concrete goal for new housing production. These proposals will provide jobs by creating housing, reducing homelessness (a major savings to the city budget), and making Lower Manhattan the 24-hour, mixed-use community envisioned by so many.

An aspect of the rebuilding of Lower Manhattan that should not be overlooked is cleaning up the vestiges of 9/11-related dust and contaminants in residential, commercial, and public spaces. When EPA's indoor cleanup program for Lower Manhattan concludes in early spring 2003, it will have addressed only a small fraction of residential buildings and no commercial or public buildings. Proper cleanup of these spaces would go a long way to restoring public confidence in downtown environmental quality and could be an important component in local revitalization. In addition to helping expand business opportunities for existing companies and new start-ups, proper cleanup would provide an immediate source of new opportunities for skilled jobs at union wage and benefit levels.

Finally, businesses in the city can use the sourcing of their materials and services to create jobs and nurture new "green" industries and encourage high-road business practices. New York Industrial Retention Network (NYIRN) has set in place a "Made in New York" program that identifies goods for rebuilding that are made in New York, ([www.madeinnyc.org](http://www.madeinnyc.org)). Businesses reoccupying Lower Manhattan will spend millions of dollars on everything from curtains to computers. Encouraging the recipients of WTC relief benefits to use New York-based businesses will be good for business and will spread the relief benefits to the companies in the other boroughs which were also effected by the attack. Companies that have received financial incentives to remain in Lower Manhattan should have to make a "good faith" effort to source their products from local firms by soliciting New York companies in their bidding processes.

1. See *Building A Ladder to Jobs and Higher Wages: A Report by the Working Group on New York City's Low-Wage Labor Market* (October 2000). Also, Sarah Crean, "Labor Market Trends and Issues in the New York City Non-Profit Social Services Sector" (Fiscal Policy Institute: August 2002). In addition, see Barr, Christopherson, Richtor & Van Jaarsveld. "NetWorking: Work Patterns and Workforce Policies for the New Media Industry." (Economic Policy Institute. 2001.)

## **Implementation**

- 1.** City establishes an overall transportation for the next 10 years, with clear priorities and pacing for the work to be done. Financing and planning of first major project gets secured by July 2003 and building begins by September.
- 2.** City establishes "Green Building" standards for rebuilding-related construction; fosters development of production facilities to meet Green Building needs.
- 3.** City writes job quality standards to apply to all written agreements with businesses. Agreements are subject to strong "clawbacks," requiring business to pay for benefits and penalties if they do not meet standards.

## ESTABLISH SECTOR GROUPS

### To Guide a Proactive Diversification Strategy

Analyzing the economy of Lower Manhattan in midst of the post 9/11 recession, it is important to bear in mind the weaknesses of the pre-9/11 economy. The city and Lower Manhattan had become over-reliant on a single industry—finance—and had not done enough to diversify the downtown economy. The city had a reactive economic development strategy based on firm-by-firm retention and attraction deals, an approach that almost inevitably results in focusing on the big firms and overlooking the smaller ones that may be growing.

The Bloomberg Administration has been rethinking the city's traditional economic development policies. The massive investment of city resources in rebuilding after the World Trade Center attacks can be an occasion to shift toward a more strategic approach, one based on real investments in institutional and physical infrastructure, and on workforce training across a broad range of sectors in the downtown economy.

A sector-based strategy would step back from negotiations with individual firms, looking instead at the needs of broad economic sectors. This should not mean "picking winners." In fact, that description better fits the city's typical deal-making policy. A sector approach would concentrate on all major sectors in Lower Manhattan. It would start with the sectors that thrive and create good jobs in Lower Manhattan, and would learn from them how to improve the conditions that can help them succeed and grow. Where a deal-by-deal strategy is inevitably focused on large firms with political clout, a sector strategy can help small and medium-sized firms as well. And where offers of particularized subsidies and tax breaks hurt the competition and create a line for others to get the same breaks, improvements to conditions for the sector (whether targeted job training, traffic management, or shared business services) is good for all firms in an industry.

The resources on the table, paired with the impressive amount of analysis that has gone into understanding the Lower Manhattan economy in the past year, provide an unprecedented opportunity to kick-start the government and private infrastructure necessary to guide a sector strategy.

In the early 1990s, during the city's last recession, the mayor's office established an Economic Policy and Marketing Group (EPM) to serve as an in-house think tank on economic issues for the city. Reporting to the Deputy Mayor for Economic Development, EPM focused on developing sectoral strategies with a relatively small research and policy staff of 12. To counter the effects of the recession and to broaden the city's economic development approach beyond retention subsidies, EPM developed the Strong Economy, Strong City program that included 12 sectoral strategies in a range of industries from jewelry manufacturing to software, biotech and film

and television production. It was an explicit goal of the Strong Economy, Strong City program to address a range of industry and occupational needs spanning the five boroughs. These strategies were developed in conjunction with business, labor and academic leaders and reflected the elevation of job creation and workforce development as a top priority for city economic development efforts. Today, re-establishing an in-house think tank under the Deputy Mayor for Economic Development would be a key part of moving the city away from an individual deal-by-deal approach to economic development toward a more strategic vision based on the public interest, and on real knowledge about the economy and labor market.

The centerpiece of the city's long-term economic development strategy should be diversifying the economy through a sectoral, "high-road" approach focused on expanding industries that have accessible, living-wage jobs with good career ladders, job security, and health and pension benefits. Effective sectoral strategies generally involve business owners (or in the case of nonprofits, executive directors) working together with labor, government, higher-educational institutions, and community-based organizations to identify and address barriers to competitive success faced by the "cluster" of companies and their suppliers in a local region. Government needs to work with industry organizations to strengthen their capacity and to help them design and deliver economic development services. "High-road" labor market strategies involve workers and their unions in raising the skills of the workforce and in developing career ladder opportunities for retention and advancement. A sectoral strategy ought to be a permanent part of the city's approach to development; one-time funding through CDBG expenditures could be used to set up a series of ongoing sector groups on track. The following is a list, by no means exhaustive, of areas where sector strategies are needed:

**Finance.** The financial industry is the biggest driving force behind Lower Manhattan's economy. A sectoral strategy can help increase the benefits of this vitality to New Yorkers by providing better access to jobs at all levels. Training programs matched to the industry can also help build career ladders, helping people to rise from entry-level to higher-paid, higher responsibility jobs. And a sectoral strategy could focus on how to make Lower Manhattan and other New York neighborhoods attractive enough to keep people who work in the financial sector living in New York, sending their kids to school here, and paying taxes in the city.

**Tourism.** Expanded tourism is a part of every vision for redevelopment after the September 11 attack. Yet tourism industry jobs tend to be poorly paid, unstable, and often "dead-end." Training programs matched to industry opportunities, creating opportunities for all staff to deal with customers, and other industry-specific efforts can help make sure that a revitalized downtown results in good jobs with real career ladders. The AFL-CIO's Institute for Working America recently completed a study comparing the gambling tourism industries in Las Vegas and in Mississippi. What it shows is emblematic of the choice New York faces in rebuilding, for the tourism

industry in particular and for the lower end of the job market in general. In Las Vegas, tourism-related jobs are solid jobs with a career ladder to the middle class. In Mississippi, the jobs in tourism are "low road," poor paying, and unstable. The high road has benefits for employers as well as for employees—a better trained, more stable workforce and a product or service that can command higher prices.<sup>1</sup>

**Building Services.** Today, security jobs are a major growth industry. Yet there is disarray about what is an appropriate standard for security. A sector group could help establish professional standards. Standards would ensure that security guards are paid livable wages, and that they are given a uniform minimum level of training in preventing attacks and how to respond to emergencies. This would increase the sense of safety among downtown workers, residents, and visitors, while it would also improve the living standards and career opportunities for workers in one of the few private-sector occupations that are growing as we rebuild.

**Construction.** Construction has long been recognized as an industry that provides significant numbers of well-paying jobs to people without college degrees. Indeed, it is one of only a few sectors left that can claim this distinction in a city where almost 2 million people—some 65 percent of adults 18-64—do not have a college degree. Construction is an industry that will benefit directly from public works spending connected to the Lower Manhattan reconstruction. On the "trades" side of the labor market, apprenticeship programs have long provided a point of entry to the industry. These apprenticeships seem to be gradually opening up to more women and people of color. But entry points and career ladders in the "non-trades" side of the labor market (white collar project management and administrative jobs) have always been informal, and there are significant issues around ongoing learning and certifications beyond the "journeyman" level. In addition, safety remains a challenging and troubling issue in construction, to which a sector strategy could guide an effective approach to standards, training, and enforcement.

**High-Technology.** In the late 1990s boom, the high-technology and new media sectors were the subject of great (perhaps excessive) enthusiasm. Today, New York needs to work to build a more sustainable high-technology economy and address ongoing problems with contingent work and lack of health benefits in the high-tech sector. A place to start is with a necessary comprehensive analysis of what is happening with laid-off high tech and new media workers.

**Culture and the Arts.** Nonprofit and cultural groups—a key part of civil society in New York—make up an important part of the vibrancy and appeal of Lower Manhattan, and other areas particularly affected by September 11. There is a widespread sense that culture and the arts are important, yet the type of support usually proposed—bringing a large cultural institution to Lower Manhattan—is not the kind of support arts groups themselves advocate. What is needed is a sectoral strategy: establishing a sector group, analyzing the needs in the sector, and then looking for

ways to remove barriers to growth. Likely candidates for creating growth in the sector include: making studio, rehearsal, and performance spaces available by creating designated space in the WTC-site buildings; and creating part-time and flexible public service jobs that allow time for artwork.

**Film.** Film and television represents an industry with great potential for New York City. The industry grew substantially in the 1990s, and New York City remains well positioned as a hub for industries, firms and workers operating at the nexus between entertainment and high-technology. The film and television sector has also been suffering in the current recession. New York City lost over 5,500 production jobs between mid-2001 and mid-2002, a decline of 15.8 percent. Total wages earned in film production dropped even more dramatically during the same one-year period (by 17%). These statistics confirm what those in the industry know all too well: that even for those still working, living standards have deteriorated. Action needs to be taken to address threats from "runaway production" to Canada, and to address technology and infrastructure opportunities that could set the stage for future growth.

**Retail.** Retail in Lower Manhattan is expected to expand and change, with significant government intervention shaping the new look of downtown retail. Yet retail jobs tend to be low-wage, temporary, and part-time jobs. A sector group can establish appropriate minimum standards for the retail industry; meeting these standards should be necessary for receiving public subsidy. In addition, a sector group can help establish the kind of job training, language acquisition classes, and computer skills development that would allow workers to gain access to jobs they might not otherwise, and to help build a career ladder that is good for employees and good for business.

**Apparel.** The rejuvenation of Chinatown requires the right balance of incentives to attract new investment as well as to help retain existing businesses. The apparel industry has historically been a core industry for Chinatown. Other industries, such as retailing and restaurants, are heavily dependent on sales to workers in the surrounding apparel industry. Chinatown's apparel industry was severely impacted by the events of 9/11 as a result of both the downturn in consumer spending and the logistical problems of moving goods in and out of Chinatown. It also faces growing real estate pressure as manufacturing space has been converted to other uses.

**Nonprofit Services.** For the area to feel like a good place to live and work, there needs to be a balance to the massive commercial and government institutions. Social services, neighborhood groups, sports organizations, and dozens of other types of efforts enrich and enliven downtown New York. Civic involvement has been extraordinarily rich and important to helping New York recover from 9/11 and in the process of planning the rebuilding itself. Yet, the very involvement of nonprofit groups in rebuilding has put a serious strain on them. As Dennis Derryck and Rikki Abzug report in "The WTC Tragedy Ripple Effect Devastates Neighborhood Nonprofits," the effect on

the nonprofit infrastructure of the city has been enormous.<sup>2</sup>

Nonprofit space is designated in the architectural plans for the WTC site. Making subsidized-rent space a reality would be a huge benefit to nonprofit groups, for whom a key financial concern, as for virtually all other New Yorkers, is real estate. To keep nonprofits not only vibrant but also located in Lower Manhattan, space for them needs to be available. Ironically, due to the low rents in the WTC towers for many years, there were a good number of nonprofit groups located in the World Trade Center buildings. Making space designated for nonprofit groups available again would be good for the groups, good for the people they serve, and good for the civic environment of Lower Manhattan.

**Manufacturing.** For years, manufacturing has been one of the most hotly and bitterly debated topics among economic development insiders. The need for a healthy manufacturing sector became particular obvious as tens of thousands of unskilled jobs were lost during 9/11. It is time for a realistic appraisal of the role of manufacturing in the NYC economy, and for actions to preserve the kinds of manufacturing operations that make sense in New York, particularly in light of growing market for green products, and help them compete on a high-road basis. It is equally necessary that the city straightforwardly address the rapid disappearance of viable manufacturing space; the central reason that contemporary manufacturers are forced to leave New York City. There is ample information available regarding where clusters of healthy manufacturers remain. This information should be taken into account as the city evaluates the future of existing "M" zones. In addition, steps should be taken to create retraining opportunities for displaced workers in sectors of manufacturing that lack viability.

**Airport-Related Businesses.** The airport-related sector, which accounts for 10 percent of jobs in Queens, was devastated by September 11. Airport-related services would benefit from improved ground transportation for passengers and for freight. Improvements would also benefit the city's environmental and traffic problems. Completion of the Air Train would also expand opportunities for office development in Jamaica as well as providing a better transit connection between Midtown and JFK airport.

**Food Manufacturing and Distribution.** Food products, especially ethnic and specialty items, are one of the most promising and fast growing segments in the city's manufacturing sector. New York's large and varied immigrant communities, and changes in overall consumer eating habits, have created growing markets for new products. Food manufacturers confront what hinders other manufacturers and small business owners, however, the lack of affordable space. A rational approach to the city's manufacturing and commercial zones could encourage the development of hundreds of young companies and thousands of new jobs. The same approach is required for the placement of the city's food distribution centers, which are currently being central-

ized in the Bronx because of speculative activity in other parts of the city.

**Retail Food Markets.** New York has several highly successful examples of green markets and food cooperatives. Despite this fact, access to quality and reasonably priced food in many of the City's poorer neighborhoods is sorely lacking. How can a sector strategy be crafted to address this gap in the market?

**Other:** There are many more examples of sector strategies. Some have already been implemented on a small scale—in the garment or diamond industry, for example. Sectoral strategies should be created for both established and emerging sectors. And sectoral strategies should help high-road businesses expand, while pushing low-road companies toward business strategies that allow them to pay their workers good wages.

The above are classic sector-based development strategies. In addition to these, the sector-based model provides a basic orientation that shapes the entire proactive, job-based economic development program discussed in this strategy.

In addition, part of a sector strategy must be focused on the issue of displacement. This is true because, in some instances, industries will shed jobs as they mature and improve the quality of the jobs that remain. Protecting workers from the harshest effects reorganization of business in the economic downturn will be good for New Yorkers, and it will also reduce resistance to productive change.

At the high end, people need to come back into the labor market in a way that builds on their transferable skills and allows them to retain key family economic assets. The New York area labor market has been one of the most prominent sites in the country for such top-end consolidation, and also one of the prime sites for corporate incentive deals. Better programs are needed to deal with the issue, and wealthy corporations that are recipients of incentives should be required to deliver much more in the way of both meeting job targets and providing "real" outplacement services.

At the low end, displacement takes place in industries, such as in certain segments of the apparel industry, that cannot or can no longer compete on a high-road basis in New York City. The CDBG funding represents an opportunity to help communities that are heavily dependent on industries in transition make sure that, because of training and other aspects, displaced workers can reenter the workforce at a higher level than they left it. In particular, language and access issues will be key for immigrants. Similarly, the stores on Fulton Street, which under the mayor's plan will be displaced, should be given ample opportunities and resources to find a part in the new development—either by upgrading and reinventing existing businesses or by being given retraining and opportunities in new business.

Another aspect of sectoral displacement – caused directly by the September 11, 2001

attacks – connects to the decentralization of key financial institutions throughout the tri-state area. New York needs to work to make sure that as many of these decentralized functions as possible end up in Brooklyn, Queens, and other parts of the five boroughs. Also, a need exists to pair development with job training programs. For example, with the Bank of New York establishing an office in Downtown Brooklyn to pair with its office in Lower Manhattan, there could be job training programs for local residents, links to local academic institutions, and targeted loan programs from BONY for local redevelopment that have targeted outreach to local businesses.

1. Working for America Institute, "US Hotels and Their Workers: Room for Improvement," available at <http://www.workingforamerica.org/hotel/HotelReport/TableofContents.htm>

2. As of spring 2002, 30 percent of nonprofits citywide and a larger number in Lower Manhattan had still not recovered from the post-9/11 losses. "For every news report of an American Red Cross or Salvation Army flooded with donations, we found small human service organizations flooded with new demands at the same time facing staff and hour cuts. For every large cultural institution rethinking major capital projects, we found small museums and arts organizations cutting staff and programming," they write in *The Nonprofit Quarterly*. Dennis Derryck and Rikki Abzug, "The WTC Tragedy Ripple Effect Devastates Neighborhood Nonprofits," is available at [www.newschool.edu/milano/rebuild\\_nyc/nonprofits911.pdf](http://www.newschool.edu/milano/rebuild_nyc/nonprofits911.pdf). See also Dennis Derryck and Rikki Abzug, "In September's Wake: Uncertain Conditions Prevail," *The Nonprofit Quarterly*, Spring 2002, Volume 9, Issue 1.

## Implementation

1. Deputy Mayor Doctoroff charges economic development agencies (EDC, DSBS, DOE) with establishing the Sectoral Strategies Working Group comprised of senior staff from these agencies.
- 2.. Allocate \$5 million to a competitive grant process to encourage industries to form collaborative sectoral initiatives to compete for funding. (This could be modeled on the State's Strategic Industries Grant Program.)
3. The SSWG consults the Emergency Jobs Task Force and the wide range of NYC's sectoral researchers to design an evaluation structure for proposals. Twelve to 15 sector groups selected for grants.
4. Sector groups used to set standards for Liberty Jobs wages (see section 1).
5. Grants used for research, convening, staffing, and launching the sector groups.

<b>LIBERTY JOBS PROGRAM GOALS AND COSTS</b>
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**For Use of Federal CDBG Funds**

**Public Service Employment**

**# of Jobs**

2-year jobs	5,000
1-year jobs	15,000
Part-Time or Part-Year	5,000

At a cost of \$29,400 annual full time equivalent (\$22,000 salary plus health benefits, payroll taxes, and program administration costs) = \$808.5 million

**Wage Subsidy Jobs**

**# of Jobs**

**Cost**

90-day employment stabilization	25,000 @ \$6,250	\$156.25 million
180-day newly created jobs	10,000 @ \$12,500	\$125 million

**Summer Youth Employment Program**

45,000 jobs @ \$1000 = \$45 million

**Workforce Development Initiatives**

Career ladder building	\$25 million
ESL and Literacy Training	\$5 million

**Grand total of Federal CDBG funds: \$1.1 billion**

Summary of jobs created:

PSE Jobs (public & nonprofit)	<b>25,000</b>
Private & Nonprofit wage subsidy	
jobs retained	<b>25,000</b>
jobs created	<b>10,000</b>
Summer jobs:	<b>45,000</b>
Multiplier jobs:	<b>11,648</b>

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