

As published in *Crain's New York Business*, April 9, 2012

City Grows Without Wall Street

By Ronnie Lowenstein

As Wall Street goes, so goes the city. At least that's what many New Yorkers have believed for some time. But that relationship may be changing.

In 2011, Wall Street profits were anemic by the industry's standards and bonuses for the year fell an estimated 20%. Yet the city gained over 72,000 jobs in 2011, the most since the boom years of 2000 and 2007. And city tax revenues grew by 7.2% in the fiscal year that ended June 30, 2011.

The Independent Budget Office projects that this pattern will continue. While New York Stock Exchange member revenues are expected to slide in 2012 and then rise only modestly over the next few years, IBO projects that New York City employment and tax collections will grow at a solid pace.

IBO estimates the city will add 60,500 jobs this year and 68,700 next year, and an average of 77,500 in 2014-2016. From 2012-2016, we expect tax revenue to rise at an average rate of 5.4 percent and total \$51.0 billion by 2016.

That's not to say Wall Street no longer matters. The extraordinarily high wages paid in the securities sector are not easily replaced. Spending by Wall Street workers supports a significant number of jobs in the city and directly and indirectly generates substantial tax revenue.

Many of the jobs the city is expected to gain over the next few years pay nowhere near the level of Wall Street. The average securities sector salary is about \$361,000, and IBO projects about 700 new jobs in the industry this year.

Compare that with the two industry sectors we estimate will grow the most this year—education and health services and leisure and hospitality—which are each expected to gain nearly 17,000 jobs. The average salary in health services is about \$55,000 and education a bit lower. The vast majority of jobs we project in leisure and hospitality are in the food service and drinking places subsector, where the average salary is roughly \$24,000 (not including tips).

The highest-paying sector expected to see substantial growth is professional and business services, where the professional and technical services subsector is projected to gain nearly 10,000 jobs this year and salaries average about \$110,000.

Wall Street played a bigger role in the city's prior two expansions, and the difference can be seen in IBO's projection for personal income tax revenues. We expect PIT growth to average 7.3% in 2012-2016, with collections growing from just over \$8.0 billion this year to \$10.7 billion in 2016. That's pretty healthy growth. But it's not as strong as 1994-2000, when PIT revenues grew at average annual rate of 11.4%, or the 11.8 % of 2003 to 2008.

While not having our fortunes tied as tightly to Wall Street has its costs, the benefits of a more diversified and perhaps less volatile local economy should not be ignored.