Sectors to watch as jobs rebound

By Ronnie Lowenstein

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Given the severity of the U.S. recession, New York City's fiscal picture looks better today than many would have expected—particularly since the crisis that began in the housing market spread to the financial industry. There are a number of reasons the city fared better than expected, including the implementation of federal policies that quickly swung the financial sector from record losses to record profits. Another reason has to do with fundamental changes in the makeup of local employment.

The Independent Budget Office now estimates that from the peak of employment in the third quarter of 2008 to the expected trough in the first quarter of this year, the city will have lost about 152,500 private-sector jobs, or 4.7%. The figure is lower than expected—which is little comfort to the affected workers and their families and neighborhoods. Nonetheless, it's a fact that employment did not drop as far as it did during the past two local contractions.

This is due in part to the diminished role of the manufacturing sector in the city. Although nationally the steadily declining manufacturing sector took an added shove from the recession, it didn't matter as much locally. Manufacturing made up such a small share of the city's total employment by 2008 that the additional losses did not have a major effect on overall employment here.

Conversely, jobs in the health and education sector constitute a growing share of private employment here, and the current recession is the first for New York City in which manufacturing job losses have been more than offset by gains in education and health.

Twenty years ago, manufacturing accounted for 9.0% of private-sector jobs in the city. By the third quarter of 2013—when, according to our projections, city employment will return to its prerecession peak—manufacturing will represent about 2.4% of jobs. But health and education employment will take a different trajectory, growing from 16.1% of local jobs in 1990 to 24.5% in 2013.

In fact, education and health is one of only three employment sectors that we project will be larger in 2013 than they were in 2008. Education and health will grow by 77,800 jobs, leisure and hospitality by 20,500, and other services (from auto repair to personal care) by 4,600. Financial services; trade, transportation and utilities; information; and, of course, manufacturing will all employ fewer workers in 2013 than in 2008, while the business and professional services category will just about return to its prerecession level.

While the shift under way in the makeup of local employment is helping to pull us through the recession, there is reason for concern: We are replacing higher-paid jobs with lower-paying ones.

The average private-sector wage in the city, excluding the extra-ordinary levels paid in financial activities, is $61,100, according to the latest available data. Our big job gains are coming in education and health and in leisure and hospitality, where wages average $46,800 and $36,100, respectively. Lower pay means less money to spend locally, less ripple effect through the economy, and less city tax revenue.

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