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Few Back-office, Factory Jobs to Lose, But Big Fiscal Woes

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

While that's a lot of jobs, it's considerably less than the 380,000 jobs lost in the 1988-92 recession. Given that the financial sector is at the heart of the current worldwide recession and that New York is at the center of the global financial industry, one might think the city would be even harder hit.

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

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

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

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

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

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

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

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