



# BROOKLYN LABOR MARKET REVIEW

Fall 2009

## A Message from the President



The Brooklyn Chamber of Commerce is proud to present the 2009 edition of the Brooklyn Labor Market Review, our annual review of the borough's economy. These are indeed very tough economic times and it has never been more critical for our Brooklyn business community, and other stakeholders to have reliable and timely information on how the recession is affecting the borough and our economic outlook. Last year's edition of the *Review* looked at how Brooklyn fared during prior recessions and provided a forecast of the borough's employment picture.

Overall, Brooklyn's employment outlook still remains stronger than New York City as a whole, but in consonance with the rest of the City, Brooklyn's personal income levels are set to decline for the first time in at least 40 years, demonstrating the severity and depth of the current recession. However, as Brooklyn's population continues to increase, opportunities for the business community and entrepreneurs will continue to present themselves.

This issue of the *Review* updates the employment forecast for Brooklyn and New York City for 2009. And, for the first time anywhere, the *Review* details a total personal income forecast at the borough level. We examine how the income of Brooklyn residents is likely to be affected by job losses and increased transfer payments to individuals, such as unemployment insurance. We also examine how the historic American Recovery and Reinvestment Act (ARRA) allocations affect Brooklyn.

We hope the *Review* adds to your understanding of Brooklyn's economy in this unusual period of economic re-positioning.

**Carl Hum, President**

### Brooklyn's economic snapshot for 2009

New York City has been losing jobs since August 2008, and is on track to lose a projected 115,000 jobs in 2009 compared to 2008. As discussed on page 4, Brooklyn's rate of payroll job decline is expected to be about half that of the city overall. Because many Brooklyn residents work in Manhattan where the city's job losses are heavily concentrated during downturns, resident employment (jobs held by Brooklynites) will decline by 25,000, significantly more than the 8,500 decrease in Brooklyn payroll jobs.

Total personal income received by Brooklyn residents will decline by about \$2.4 billion this year, a 2.9 percent decline, slightly better than the 3.2 percent citywide income drop.

Brooklyn's unemployment rate has increased significantly, in part because the labor force continues to expand, which reflects the borough's attractiveness to newcomers. Nonetheless, unemployment will hover in the 10 percent range for the second half of 2009, raising this year's annual average rate to 9.7 percent.

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**FIGURE 1.**  
**Brooklyn's Economic Snapshot for 2009**

	2008	2009	Change, 2008-2009	
<b>PRIVATE PAYROLL JOBS</b>				
New York City	3,129,460	3,014,460	-115,000	-3.7%
Brooklyn	444,050	435,550	-8,500	-1.9%
<b>PERSONAL INCOME</b> (in billions of dollars)				
New York City	\$429.9	\$416.2	-\$13.7	-3.2%
Brooklyn	\$83.4	\$81.0	-\$2.4	-2.9%
<b>BROOKLYN</b>				
Resident labor force	1,112,000	1,130,000	18,000	1.6%
Resident employment	1,046,000	1,021,000	-25,000	-2.4%
Resident unemployment	66,000	109,000	43,000	65.2%
Unemployment rate	5.9%	9.7%	3.8% point increase	

*Source: Projections by the Fiscal Policy Institute, August 2009.*

## ● Recent trends in Brooklyn's employment landscape

The recent pace of economic decline has eased compared to the last quarter of 2008 and the first quarter of 2009, and national Gross Domestic Product could increase in the July-September quarter. Still, most forecasts call for the continuation of very high unemployment for several more months and well into 2010.

As noted in last year's *Review*, Brooklyn has a higher concentration than the city overall of jobs in health, education and social services—typically more recession-resistant sectors—and a lower concentration in financial, professional and information services, which usually decline sharply during a downturn. These elements help moderate Brooklyn's job loss during a downturn.

Although the national recession officially began in December

2007, New York City's payroll employment continued to expand through August 2008. From August last year through July 2009, the city lost about 100,000 private jobs, measured on a seasonally adjusted basis. Brooklyn's private payroll job count was 4,800 greater in the fourth quarter of 2008 than in the fourth quarter of 2007, and the citywide jobs number declined by 10,900.<sup>1</sup> This disparity is explained by the fact that the city lost 12,800 financial sector jobs, almost all in Manhattan, while Brooklyn's finance jobs increased slightly. Moreover, wholesale trade employment was flat in Brooklyn but it declined by 4,200 citywide. Finally, Brooklyn had a slight overall percentage gain in health, education and social services jobs.

**FIGURE 2.**  
**Brooklyn and NYC payroll employment change,**  
**4th quarter 2007 to 4th quarter 2008**

Industry	Employment change, 4Q 2007- 4Q 2008			
	Brooklyn		NYC	
All private sector employment	4,797	1.1%	-10,949	-0.3%
Utilities	23	4.8%	571	3.7%
Construction	-354	-1.3%	-263	-0.2%
Manufacturing	-1,784	-7.3%	-6,785	-6.8%
Wholesale trade	54	0.2%	-4,231	-3.0%
Retail trade	38	0.5%	-543	-0.2%
Transportation and warehousing	313	1.7%	-464	-0.4%
Information	163	2.4%	-395	-0.3%
Financial services	34	2.0%	-12,848	-3.7%
Real estate	-37	-0.3%	-124	-0.1%
Professional sci. and tech. services	591	4.4%	1,515	0.5%
Management of companies	151	66.9%	3,274	5.6%
Admin. & sup.srvcs. and waste mgmt.	-713	-4.0%	-8,175	-4.2%
Educational services	153	4.7%	5,430	4.0%
Health care and social assistance	3,625	2.6%	9,156	1.7%
Arts entertainment & recreation	88	2.2%	3,375	5.2%
Accommodation & food services	1,499	6.9%	4,868	2.1%
Other private services	337	1.5%	1,903	1.3%

**Source:** New York State Department of Labor, quarterly census of employment and wages.  
Industry totals do not verify because of "unclassified" employment.

The citywide private job change from the first quarter of 2008 to the first quarter of 2009 was slightly less than the forecast presented in last year's *Review*, an actual decline of 73,000 jobs compared our forecast of an 80,000 decline. Although the forecasted net job change was reasonably close, there were several differences at an industry level.

Blue collar jobs citywide in construction and manufacturing declined much more than the *Review* forecasted, as did jobs in wholesale and retail trade. On the other hand, while there were significant declines in finance and professional services, neither of

these declined as much as had been anticipated. And while we had expected a slight decline of 2,000 in educational service employment, it actually grew by 7,300.

What does this mean for Brooklyn? The borough undoubtedly lost jobs in the first quarter of 2009; it has a higher concentration than the city overall in the blue collar and wholesale/retail trade areas. Yet, the Brooklyn decline should still trail the citywide falloff, given the borough's smaller presence in the sharply declining financial and professional services areas, and its larger presence in health, education and social services.

<sup>1</sup> Since there is a half-year lag in the availability of detailed industry jobs data for Brooklyn, the fourth quarter of 2008 is the most recent borough-level data

## ● Employment projections for the recession's first full year in New York City and Brooklyn

For the *Review*, the Fiscal Policy Institute projects that New York City will lose 115,000 private jobs (a 3.7 percent decline) during 2009, the first full year of the recession in New York City. (The recession began here in mid-2008, a half-year later than for the nation.) This projection is measured by the change in the annual average employment levels for 2008 and 2009. By comparison, the Mayor's Office and Management and Budget projects a 2009 private job loss of 164,000, a 5.1 percent decrease. Adjusting for a very slight expected decline in government employment, the City Comptroller projects a 3.2 percent private job decline in 2009, and the Independent Budget Office projects a 4.1 percent employment loss.<sup>2</sup>

Figure 3 shows our 2009 employment projections for Brooklyn and the city overall. Except for health, education and social services, most industries are projected to show a net job loss for 2009

with the biggest concentrations citywide in construction, manufacturing, wholesale trade, and financial services—all expected to see jobs declines at a pace at least double the 3.7 percent decline projected for citywide private sector jobs overall.

The recent expansion in the retail sector will allow Brooklyn to experience a smaller degree of job retrenchment compared to the city overall: While Brooklyn now has about one in every five retail jobs in New York City, the recession this year will claim 1,000 jobs in Brooklyn compared to 10,000 citywide. The opening of new hotels in Brooklyn in recent years, together with the increase in new housing and the restaurant industry that have transformed several neighborhoods, are expected to combine to keep employment flat in the accommodation and food services sector in 2009, a sector that otherwise contracts in a downturn.

**FIGURE 3.**  
**Projected 2008-2009 annual job change, Brooklyn vs. NYC**

Industry	Brooklyn share	Projected employment change, 2008-2009			
		Brooklyn		NYC	
All private sector employment	14.2%	-8,500	-1.9%	-115,000	-3.7%
Utilities	27.6%	0	0.0%	0	0.0%
Construction	20.8%	-3,000	-11.2%	-13,000	-10.1%
Manufacturing	24.5%	-3,000	-12.8%	-14,000	-14.7%
Wholesale trade	17.8%	-1,000	-4.0%	-11,000	-7.9%
Retail trade	19.7%	-1,000	-1.7%	-10,000	-3.4%
Transportation & warehousing	17.2%	-750	-4.1%	-7,000	-6.5%
Information	4.3%	-250	-3.7%	-7,000	-4.5%
Financial services	5.3%	-1,000	-5.6%	-30,000	-8.9%
Real estate	12.1%	-750	-5.2%	-4,000	-3.3%
Professional sci. & tech. services	4.1%	-500	-3.6%	-18,000	-5.4%
Management of companies	3.9%	500	21.4%	-2,000	-3.3%
Admin. & sup.srvcs. and waste mgmt.	9.3%	-750	-4.3%	-8,000	-4.3%
Educational services	16.0%	500	2.3%	3,000	2.2%
Health care & social assistance	25.4%	2,500	1.8%	8,000	1.4%
Arts & entertainment	6.7%	-250	-5.5%	-2,000	-3.0%
Accommodation & food services	9.5%	0	0.0%	-1,000	-0.4%
Other private services	15.5%	250	1.1%	1,000	0.7%

**Note:** Brooklyn share is of total NYC employment.

**Source:** Projections by the Fiscal Policy Institute, August 2009.

## ● Brooklyn's total personal income declines in 2009

One indicator of the severity of the current recession is that total personal income received by Brooklyn residents is projected for the *Review* by the Fiscal Policy Institute to decline for the first time in the 40-year history of the U.S. Commerce Department annual local income series. We project that Brooklyn personal income will decline from \$83.4 billion in 2008 to \$81.0 billion in 2009, a 2.9 percent decline.

This net decline of \$2.4 billion results from a \$4.2 billion de-

cline in net earnings (comprised of wages and proprietors' income), partly offset by a \$2.3 billion increase in transfer receipts (Social Security, unemployment insurance, food stamps and the value of Medicare and Medicaid payments made in Brooklyn). The category dividends, interest and rent is also expected to decline by \$500 million. Net earnings by place of residence, which is projected to decline by 7.9 percent, is by far the largest component of personal income, accounting for about 64 percent of the total.

<sup>2</sup>New York City, and Brooklyn to a lesser extent, is expected to continue losing jobs during the first half of 2010. The above projections are only for job losses in 2009 compared to 2008.

**FIGURE 4.**  
**Projected 2009 Total Personal Income**

(in billions of dollars)	Brooklyn		New York City	
	Projected	Percent	Projected	Percent
<b>Total Personal Income</b>	\$81.0	-2.9%	\$416.2	-3.2%
<b>Components that sum to total personal income</b>				
Net earnings by place of residence	\$48.9	-7.9%	\$267.4	-6.1%
Dividends, interest and rent	\$7.0	-6.0%	\$63.9	-6.0%
Personal current transfer receipts	\$25.1	10.0%	\$84.9	10.0%
<b>Selected components that factor into net earnings</b>				
Earnings by place of work	\$28.6	-0.4%	\$394.5	-7.8%
Wage and salary disbursements	\$20.5	-0.4%	\$280.8	-10.1%
Proprietors' income	\$3.7	-1.0%	\$57.1	-1.0%
Adjustment for residence	\$23.7	-14.8%	-\$86.6	-14.8%

**Source:** Projections by the Fiscal Policy Institute, August 2009.

The wages and salaries that Brooklynites earn in Manhattan, or in other places they commute to for work, are a large component of net earnings by place of residence for Brooklyn. Net commuter earnings, in fact, account for about half of the net earnings by place of residence, with the other half comprised wage and salary and proprietors' income earned from jobs and businesses located in Brooklyn.

Commuter earnings, as a share of the total, rises during growth periods and subsides during recessions. For 2009, commuter earnings are expected to fall by 14.8 percent, reflecting the

fact that many Brooklynites are expected to lose high-paying jobs in Manhattan's financial and professional service businesses. On the other hand, net earnings for Brooklyn-based economic activity are expected to decline by only 0.4 percent.

Transfer receipts by Brooklyn residents are projected to increase by 10 percent in 2009, largely as a result of a 7.7 percent increase in Medicare and Medicaid payments, which account for roughly two-thirds of all transfer receipts. Unemployment insurance receipts are expected to more than double in 2009 over 2008. ARRA-related increases in Social Security and food stamps will also boost trans-

fer receipts in 2009.

Brooklyn's projected 2.9 percent personal income decline in 2009 is less than the 3.2 percent decline projected for New York City overall. The city's slightly greater decline in income is largely due to the more than proportionate fall-off in earnings by Manhattan residents working in the financial and professional services sectors. On the positive side, after rising by 3.9 percent in 2008, the Consumer Price Index for the New York metropolitan area rose by only 0.7 percent through the first half of 2009. Most of this decline stems from lower energy prices.

## ● American Recovery and Reinvestment Act's impact in Brooklyn

The economic freefall in the wake of last September's Wall Street meltdown and credit crunch triggered massive layoffs around the country. In the six months following the meltdown, over 600,000 jobs were lost each month, nearly four times the job loss rate during the recession's first nine months. Consumer and business confidence evaporated, causing Gross Domestic Product—the broadest measure of the level of economic activity—to shrink at a 6 percent annual rate during the fourth quarter of 2008 and the first quarter of 2009.

Late last fall, most economists agreed that a massive stimulus in the form of federal government spending was urgently needed to brake the freefall. Within a month of taking office, President Barack Obama pushed through and signed the American Recovery and Reinvestment Act (ARRA). ARRA consisted of a broad range of spending initiatives totaling nearly \$500 billion; and included \$288 billion in individual and business tax cuts.

Broadly, the chief aims of the spending components of the stimulus bill are to:

- Provide fiscal relief to states to avert severe state budget cuts that would otherwise result from shrunken tax revenues and would exacerbate the downturn;

**FIGURE 5.**  
**Major components:**  
**American Recovery and Reinvestment Act (ARRA)**

(in billions of dollars)	
<b>Spending programs</b>	
State/Local Fiscal Relief	\$140
Health, Education and Training	\$87
Aid to Unemployed and Individuals	\$102
Infrastructure	\$90
Energy Efficiency and Development	\$61
Scientific Research, Public Safety and Other	\$19
<b>Subtotal, spending programs</b>	<b>\$499</b>
Tax Cuts	\$288
<b>TOTAL: spending and tax cuts</b>	<b>\$787</b>

**Source:** Compiled by the Fiscal Policy Institute using data from <http://www.recovery.gov/>, <http://www.recovery.ny.gov/>, and <http://www.nyc.gov/html/ops/nycstim/>.

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- Promote job creation and long-term growth by funding ready-to-go transportation, waste water systems, and other infrastructure needs such as renovating public housing;
- Promote job creation and energy conservation by funding weatherization programs and other “green” jobs;
- Invest in education and skills training to increase long-term

growth potential; and

- Fund increased temporary payments to individuals in need including those on unemployment, food stamp and public assistance recipients, and social security and veteran’s benefit recipients in order to boost consumer spending.

**FIGURE 6.**  
**ARRA Brooklyn Infrastructure Projects**

(in millions of dollars)	
<b>Transportation projects</b>	
Rehabilitation of the Brooklyn Bridge	\$47.20
Rehabilitation of the Greenpoint Avenue Bridge over Newtown Creek (Greenpoint/Blissville)	\$6.00
Improvements to Bedford Stuyvesant Gateway Business District	\$7.10
Improvements to Brooklyn Navy Yard	\$4.80
Coney Island Boardwalk Reconstruction	\$15.00
Reconstruction of Eastern Parkway (Prospect Heights)	\$6.00
Flatbush Avenue Streetscape Improvements	\$3.50
Kingston Avenue Reconstruction	\$6.00
Reconstruction of Nassau Avenue and Monitor Street (Greenpoint)	\$12.90
Shore (Belt) Parkway East 8th Street Access Ramp Reconstruction	\$14.10
<b>Transportation subtotal</b>	<b>\$122.50</b>
<b>Public housing renovation projects</b>	
Armstrong Houses I and II Brickwork Repair and Roofing Replacement	\$20.80
Beach 41st Street Houses Heating Upgrade	\$0.30
Beach 41st Street Houses Roof Replacement	\$8.70
Bedford Stuyvesant Houses Rehab Elevators Rehabilitation	\$0.40
Boston Secor Houses Fuel Oil Tank Replacement	\$0.40
Kingsborough Houses Heating Upgrade	\$2.90
Marcus Garvey Houses Roof Replacement	\$4.80
Saratoga Village Houses Brickwork Repair and Roof Replacement	\$3.50
Sheepshead Bay Houses Heating Upgrade	\$0.80
Ocean Hill - Brownsville Houses Brickwork Repair and Roof Replacement	\$5.50
Sumner Houses Elevator Rehabilitation	\$8.60
Tapscott Houses Rehabs Roof Replacement	\$7.20
Taylor Wythe Houses Elevator Rehabilitations	\$2.70
Unity Plaza Houses Roof Replacement	\$9.50
Van Dyke Houses II Roof Replacement and Masonry Rehabilitation	\$1.80
Whitman-Ingersoll Houses Apartment Renovations	\$87.00
Whitman-Ingersoll Houses Elevators Rehabilitation	\$21.30
<b>Public housing subtotal</b>	<b>\$186.10</b>
<b>TOTAL: Brooklyn infrastructure projects</b>	<b>\$308.60</b>

**Note:** This table excludes city-wide transportation and public housing projects, some of which will occur in Brooklyn.

**Source:** Compiled by the Fiscal Policy Institute using data from <http://www.recovery.gov/>, <http://www.recovery.ny.gov/>, and <http://www.nyc.gov/html/ops/nycstim/>.

In the first four areas, much of the spending is allocated on the basis of existing program formula and flows through state governments. Some spending goes directly to localities or is disbursed on a competitive grant basis to governments or non-profits.

Figure 6 lists the major Brooklyn transportation and other infrastructure projects made possible by ARRA funding. Altogether, at least \$122.5 million will go to transportation-related construction projects in Brooklyn. Public housing projects in Brooklyn will benefit from \$186.1 million in reconstruction and renovation work to replace roofs, or to rehabilitate elevators or apartments in project scattered around the borough. Thus, Brooklyn is getting 4.65 percent of the national total of \$4 billion in public housing funding under ARRA.

In addition, various citywide infrastructure refurbishment projects in the transportation and public housing areas will fund work that is done in Brooklyn. Also, some of the \$1.1 billion in ARRA funding for Metropolitan Transportation Authority mass transit projects will benefit Brooklyn.

The Review and the Fiscal Policy Institute estimate that Brooklyn residents will receive \$722 million under the four major ARRA spending streams providing temporary payments to the unemployment and other individuals. For example, food stamp recipients will receive a 13 percent increase in their monthly food stamp allowances, ARRA will provide an additional \$25 weekly to those receiving unemployment insurance benefits, and a one-time \$250 payment was sent in May to all Social Security recipients and those on Supplemental Security Income. (See Figure 7.) This \$722 million in payments to Brooklynites represents 0.97 percent of the national total for such payments to individuals, compared to Brooklyn’s 0.84 percent share of the nation’s population.

**FIGURE 7.**  
**ARRA Payments to individuals, estimates for Brooklyn residents**

(in millions of dollars)	
Unemployment Insurance	\$318
Food Stamps	\$307
Social Security	\$71
Supplemental Security Income	\$26
<b>Total, four categories of payments to individuals</b>	<b>\$722</b>

**Source:** Fiscal Policy Institute estimates, August 2009.

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Brooklyn's economy will benefit in many other ways from ARRA stimulus-related funds that are flowing through New York City or New York State. For example, residents will benefit from \$60.8 million in grants funding training programs around the city, \$48.2 million in Community Development Block Grants overseen by the City that will fund such initiatives as emergency housing repairs and homeless services, and \$29.1 million in various criminal justice assistance grants that the City will disburse. Projects such as weatherization, while significant, are difficult to project.

Three Brooklyn Community Development Financial Institutions—Brooklyn Cooperative Federal Credit Union, CAMBA, and BOC Capital Corporation—will receive a combined \$2.35 million to support neighborhood development lending. These CDFIs have

proven invaluable to small businesses, as traditional lending has tightened in the past 12 months.

In summary, the federal stimulus funds are providing a substantial counter-weight to the unprecedented job losses and consumer spending cutbacks characterizing the current recession. While it is too early to quantify the job creation impact of ARRA spending, it is reasonable to conclude that the impact on Brooklyn in 2009 and 2010 will be measured in the billions of dollars. A rough estimate suggests that Brooklyn will benefit directly or indirectly over time by \$4 billion or more from the \$500 billion in ARRA's spending programs, and, as noted above, about \$2 billion from the individual tax cuts.

### ● Brooklyn growth industries in 2008

**B**efore the recession set in, several industries in Brooklyn recorded impressive job growth. In fact, there was a Brooklyn boomlet in professional services, with double digit growth in the number of architecture, design and management consulting businesses in 2008. The job count grew by about 20 percent in both design and management consulting. Architecture jobs gained by 8 percent and accounting jobs grew 6 percent.

While Brooklyn-based film and TV production businesses are not (yet) a big employer, the number of jobs increased by more

than 50 percent to 350 in 2008. Within retail trade, there was strong growth in electronic and appliance stores, food stores, drug stores, and among general merchandisers. School bus transportation companies added 800 jobs in Brooklyn last year. Specific industries showing sizable job growth within the health, education and social services sector include: educational support services, doctors' offices, home health, residential mental health facilities, and child day care centers.

**Update at press time:** As this issue of BLMR goes to press, just-released data show that Brooklyn lost 1,750 private jobs from the first quarter of 2008 to the first quarter of 2009. This was a 0.4 percent decline, much less than the citywide 2.4 percent decline. Brooklyn employment in accommodation and food services rose 5.4 percent (the city lost 0.7 percent), but that was offset by declines in construction, manufacturing, finance, and retail that matched citywide declines.

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