Forecast: Job losses not as bad this time around

Diverse economy, quality of life should soften the blow of next recession

BY DANIEL MASSEY

With the nation in the midst of a deepening financial crisis, New York City Comptroller William Thompson Jr. last week projected the city will lose 165,000 jobs over the next two years—nearly twice as many as his office forecast three months earlier.

But as wrenching as that loss would be, the new estimate pales in comparison to the actual number of jobs shed in the city during each of the previous two downturns. The recession of 2001-04 caused by the dot-com bust saw 222,700 jobs vanish. The stock market crash of October 1987 sparked a delayed tailspin that cost the city 330,300 jobs in 1990-93.

Frank Braconi, chief economist in the comptroller's office, acknowledges that the latest job loss estimate, though up sharply, is an "optimistic forecast" and "looks relatively good," compared with the last two recessions.

Three main factors account for such optimism from Mr. Braconi and other economists. The housing crisis that has devastated other areas of the country has only been felt peripherally here. An increasingly diverse economy should insulate the city from widespread job losses in financial services. And improvements in quality of life will keep businesses and residents in the city and at least some tourists coming to visit.

Wall Street has been battered in recent weeks, and state officials now estimate that 40,000 financial services jobs will be lost. But the city will enter the coming recession in a position of unusual strength. While the national economy has lost 760,000 jobs in the past nine months, the city is still showing slight year-over-year gains, despite Wall Street job losses.

Fewer manufacturing jobs

That economy will be put to the test in the months to come. Economists say that a shift away from a declining manufacturing sector and toward growing areas like education and health and professional services will benefit New Yorkers. The city shed nearly 165,000 manufacturing jobs between 1990 and 2007, including tens of thousands in each of the last two recessions. Only 96,000 such jobs are left in the city.

"We've got an economic engine with multiple cylinders that are still firing," says James Parrott, deputy director of the labor-backed Fiscal Policy Institute. Education and health services added 231,000 jobs from 1990 through 2007, and professional services added 124,000 positions, according to the state Department of Labor. Reliance on these more stable sectors of the economy, combined with economic growth in the outer boroughs, should enable the city to emerge from a recession quicker, limiting job losses.

The city is also a more desirable place to visit, live in and do business in than it was in the early 1990s. Transit hubs like Port Authority and Pennsylvania Station have been cleaned up. Times Square is safer. "How people feel about living and working here plays a role," says James Brown, an economist for the New York state Department of Labor.

But job forecasting is an inexact science. Each recession is different, and economists are working in an environment that has worsened by the day and sometimes the hour. Nobody could have predicted that the city's top investment banks would post nearly $180 billion in asset write-downs in the past year.

Future uncertain

"History is not a perfect guide to the future," says Ronnie Lowenstein, executive director of the nonpartisan Independent Budget Office, which in May predicted the city would lose 59,400 jobs by the middle of next year—a figure she readily admits is now out of date and awaiting revision. "It's not at all clear how this is going to play out," she says.

And even if job losses are lower this time around, the significance of the losses could be just as severe because Wall Street salaries have been escalating for years.

The financial services jobs expected to be cast off are among the city's highest-paying. The sector accounted for 5% of the workforce but 25% of all wages in the city last year, the IBO says.

COMMENTS? DMassey@crainsnewyork.com

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COUNTING THE UNEMPLOYED

New York City job losses.

1990-93: 330,300
2001-04: 222,700
2008-10: 165,000*

*Projected.

SOURCES: NEW YORK STATE DEPARTMENT OF LABOR; OFFICE OF THE NEW YORK CITY COMPTROLLER

Page 2 of 2