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**Hearing before the New York State
Assembly Standing Committee on Economic Development
and the
Assembly Standing Committee on Small Business**

**Economic Impact of the September 11 Terrorist Attacks
and Strategies for Economic Rebirth and Resurgence**

**New York City
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Good morning, my name is James Parrott, Deputy Director and Chief Economist of the Fiscal Policy Institute. Thank you for the opportunity to testify this morning on the economic and employment impact of the September 11th terrorist attacks on the World Trade Center and recommendations on what the public policy response should be.

I would like to call to your attention a recent Fiscal Policy Institute study on the economic impact of the events of September 11. A copy of this November 5 study is attached to my testimony. Among the highlights of our study are:

- (1) We estimate that as a direct result of the September 11 attacks, New York City will lose 105,200 jobs in the fourth quarter of 2001. This estimate includes 25,500 jobs that moved out of New York City in the wake of the attacks, and 79,700 jobs that likely are being lost entirely and involve layoffs.
- (2) Many of the industries where layoffs have been concentrated are predominantly low-wage industries. Sixty percent of the workers likely to be laid off have an average wage of only \$11.00 an hour. Many of the affected jobs, while not offering extraordinarily high wages, were unionized and offered health coverage and other benefits and relatively high wages in the New York City context for workers with limited skills and/or education. In short, many of the 80,000 lost jobs were good jobs that will be hard to replace.
- (3) The industries hardest hit by lost jobs include restaurants, retail trade, hotel, air transport, building services, and apparel manufacturing.

- (4) In addition to these layoffs, the level of business activity has fallen off in a number of industries where workers have absorbed the impact primarily by working fewer hours (and being paid commensurately less) or, as in the case of taxi and limousine drivers, by receiving far less compensation for each hour worked. At least 76,000 workers in just three industries -- apparel manufacturing, taxi and limousine drivers, and graphic artists -- are experiencing sharp drops in their wages and earnings.
- (5) The industry hardest hit by reduced work volume is apparel manufacturing, which has much of its production based in Chinatown not far from the World Trade Center site.
- (6) The loss of 105,200 jobs in New York City represents approximately 2.4% of total local employment (including full-time, part-time and self-employment), and amounts to about one year's worth of job growth.

The economic devastation has affected thousands of small businesses in New York City; hundreds have closed their doors entirely, many others are threatened with extinction from dramatically lower sales. The apparel industry is a prime example of how hundreds of small contractors and manufacturers have been placed in peril. While various levels of government have offered low-cost loans to struggling businesses, many owners say that will not help if they don't have the customers.

We are facing this economic devastation at a time when the national and local economies are in recession with few credible signs that an upturn is near at hand. The last time New York City was in recession -- during the 1989 to 1992 period -- our recession was far longer and more severe than the nation's.

One of the highest priorities for the Assembly and our leaders in Albany has to be to do everything possible to stabilize the New York City economy, the source of a disproportionate share of the State's economic and fiscal strength. Albany can do two things to help stabilize the city's economy:

- (1) Support New York City in addressing the \$3-4 billion budget gaps it faces over the next two years in order to avert steep service cuts, massive layoffs, and drastic reductions in the city's capital spending program. If these things happen, not only will the quality of life here deteriorate, but it would be considerably harder to retain businesses and skilled workers who might flee New York. The state needs to make sure the city has sufficient revenues to meet these challenges.
- (2) Albany also needs to ensure that the state and the city work cooperatively together to develop the best overall plan to rebuild lower Manhattan. This should be done in a timely fashion and under the leadership of a public authority that is broadly representative of the major stakeholders, including the communities, workers and small businesses affected. This is an historic juncture for state-city

relations and for the future of Lower Manhattan, a vital part of our state's economic base. It is essential that the public authority fully reflect the interests and the needs of the city's economy and its people.

I'd also like to comment on what has seemed like a blizzard of proposals to offer various tax incentives to retain and attract companies to Lower Manhattan. As a long-time student of economic development, I firmly believe that the best use of limited public resources is to make sure we build a 21st-century transportation infrastructure. The recession has substantially altered what had been a fairly tight commercial real estate market. We don't know now what the market supply and demand conditions will be like 3, 4 or 5 years from now as Lower Manhattan gets rebuilt. We don't know now what the best mix of commercial office, cultural, residential, tourist and other uses will be in Lower Manhattan, and how that area should be better linked to neighborhoods in Brooklyn and other parts of the city. Our focus should be on developing the best plan, and making sure we build a transit infrastructure that will serve our needs for decades to come. If we do those things right, there will be no shortage of interest in businesses and workers choosing Lower Manhattan.

Let me close by mentioning several things that will contribute to a near-term revitalization strategy.

- (1) As the New York City Partnership has proposed, we should promote, if not require, the purchase of locally-made products and services to the extent feasible in the reconstruction of Lower Manhattan. New York City still has a sizable and very versatile and skilled manufacturing base that can supply many of the products that will be needed, and employ predominantly city residents in the process.
- (2) Given the extent of job loss among low-wage workers, and the simultaneous impact of the recession and its implications for welfare reform, the city and the state need to put in place a community service jobs program that can provide jobs in the government, non-profit and small business sector for 50,000 workers.
- (3) We need to ensure that city residents are given a fair shot at getting the training needed through union apprentice and other programs to move into the construction and other jobs that will be generated by the rebuilding effort.
- (4) The new jobs developed as a result of the rebuilding need to be living wage jobs that provide health insurance so that workers can have a reasonable shot at providing a decent family living standard.

Thank you for the opportunity to present our testimony.