

## APPENDIX A

# The Economic Impact of the September 11 World Trade Center Attacks

The September 11 terrorist attacks on the World Trade Center took an enormous toll in human life and in our nation's sense of security. The events of September 11 also triggered far-reaching economic impacts for New York City and State. The consensus of several studies of the economic impact of the attacks is that they directly or indirectly led to the loss of over 100,000 jobs in New York City. While there were many signs that the New York economy was slowing prior to September 11, the World Trade Center (WTC) attack and its implications for the nation's financial sector and consumer confidence overnight fostered a widespread perception that the local and national economies were in recession. The business cycle dating committee of the National Bureau of Economic Research in early December issued their formal finding that the national economy slipped into recession in March of 2001.

The Fiscal Policy Institute prepared two studies of the economic impact on the New York City economy of the WTC attacks. These analyses were requested by the Consortium for Worker Education to help inform its re-employment efforts. These reports attempted to capture the economic effects that can be attributed directly to the World Trade Center attacks and not to the broader recession-related employment and output losses. On November 5, the Fiscal Policy Institute issued a report that estimated the employment and output impacts that would occur in the fourth quarter of 2001. The anticipated direct employment effects were used to estimate total economic and employment effects using the IMPLAN input-output model for New York. Three types of direct effects were evaluated:

1. WTC Area. The displacement of businesses in the World Trade Center area and the disruption of retail activities in Lower Manhattan;

2. Aftershock Effects. The effects on industries

such as air transport and tourism immediately affected in the aftermath; and

3. WTC-Related Weaker Consumer Demand. The effects from weakened consumer demand in the local economy.

Among the highlights of the November 5 FPI study were<sup>1</sup>:

(1) As a direct result of the September 11 attacks, New York City would lose 105,200 jobs in the fourth quarter of 2001. This estimate includes 25,500 jobs moved out of New York City in the wake

TABLE A.1

New York City Employment Effects Resulting from the World Trade Center Attack			
Industry	Jobs Located Out of NYC	Jobs Lost Due to Layoffs in NYC	Jobs Lost Due to Relocations and Layoffs
<b>TOTAL</b>	<b>25,500</b>	<b>79,700</b>	<b>105,200</b>
<b>Industries with major relocations outside of New York City</b>			
Securities	22,000	2,300	24,300
Computer/Data Processing	1,500	2,900	4,400
Insurance Carriers	2,000	500	2,500
<b>Major industries where job impacts likely involve layoffs</b>			
Restaurants	0	15,500	15,500
Hotels	0	7,400	7,400
Air Transportation	0	5,800	5,800
Retail Trade	0	9,600	9,600
Building Services	0	3,300	3,300
Apparel Manufacturing	0	2,600	2,600
Wholesale Trade	0	2,300	2,300
Temporary Services	0	1,600	1,600
Theatrical Producers	0	1,500	1,500
Advertising	0	1,500	1,500
Accounting	0	1,500	1,500
Other Business Services	0	1,300	1,300
Commercial Printing	0	1,100	1,100
<b>Additional employment losses by major sectors</b>			
Construction	0	1,000	1,000
Other Manufacturing	0	2,400	2,400
Other Transport, Communications, Utilities	0	2,400	2,400
Other FIRE Industries	0	2,600	2,600
Other Services	0	9,000	9,000
Other	0	1,500	1,500

SOURCE: Estimates by the Fiscal Policy Institute, Nov. 2, 2001.

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of the attacks, and 79,700 jobs considered likely to be lost entirely and involve layoffs. (see Table A.1)

(2) Many of the industries where layoffs were concentrated are predominantly low-wage industries. Sixty percent of the workers considered likely to be laid off worked in occupations that have an average wage of only \$11.00 an hour. (see Table A.2) Many of the affected jobs, although not offering extraordinarily high wages, were unionized, offered health coverage and other benefits, and had relatively high wages for New York City 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 expected to be 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 fell off in a number of industries where workers absorbed the impact primarily by working fewer hours (and being paid commensurably 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 — experienced sharp drops in their wages and earnings.

(5) The industry hardest hit by reduced work volume was apparel manufacturing, which has much of its production based in Chinatown not far from the World Trade Center site.

(6) The projected 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.

Recent employment and other data releases generally supported the magnitude of these estimated impacts. For example, New York City lost an estimated 79,000 jobs in October, according to the City Comptroller's office. Initial unemployment claims levels, while having receded from the very high levels in the 4 to 6 weeks following September 11, were well ahead of year-earlier levels through-

out November and December. The City's unemployment rate rose to 6.9% in November. Projections made in late 2001 by various official New York City agencies forecast substantial job declines and general economic weakness in 2002. Revenue forecasts for both New York City and New York State were reduced significantly in the wake of the September 11 attacks.

As this edition of *The State of Working New York* demonstrates, most low-income workers in New York did not gain appreciably during the 1990s expansion. The recession and the September 11 attacks are already taking a heavy toll on low-income workers, particularly in New York City.

TABLE A.2

### September 11 World Trade Center-Related Layoffs Twenty-Five Hardest Hit Occupations

Rank	Occupational Title	Sum	Median Wage	Mean Wage
1	Waiters & waitresses	4,200	\$7.08	\$8.87
2	Janitors & cleaners	3,400	\$14.91	\$14.18
3	Salespersons, retail	2,800	\$9.15	\$11.45
4	Food preparation workers	2,300	\$8.90	\$9.69
5	Cashiers	2,300	\$7.36	\$8.58
6	Maids & housekeeping cleaners	1,800	\$13.42	\$13.00
7	Food preparation & fast-food servers	1,700	\$7.09	\$8.14
8	Cooks, restaurant	1,600	\$11.58	\$12.97
9	General managers & top executives	1,400	\$51.34	\$47.10
10	Sales supervisors	1,200	\$22.42	\$27.26
11	Service supervisors, n.e.c.	1,100	\$16.46	\$18.98
12	Cooks, fast-food	1,100	\$7.05	\$7.38
13	Sewing machine operators	1,000	\$8.02	\$9.10
14	Flight attendants	1,000	\$18.91	\$23.95
15	Stock clerks, sales floor	1,000	\$7.80	\$9.20
16	Clerks, general office	900	\$12.96	\$13.56
17	Accountants & auditors	800	\$25.22	\$27.95
18	Reservation & transportation ticket agents	800	\$13.07	\$14.99
19	Secretaries, except legal & medical	800	\$17.54	\$18.26
20	Truck drivers, light	800	\$13.22	\$14.27
21	Helpers, laborers, movers, n.e.c.	700	\$11.32	\$14.18
22	Bartenders	700	\$7.55	\$9.37
23	Bookkeeping, accounting, auditing clerks	700	\$16.43	\$17.50
24	Counter attendants	700	\$7.08	\$7.87
25	Dining room & bartender helpers	600	\$7.02	\$8.36

**Total, These 25 Occupations 35,500**

SOURCE: Fiscal Policy Institute's estimates using New York State Dept. of Labor Occupational-Industry Employment Matrix for New York City, 1998. Wages estimated for 2001.