



News from the Fiscal Policy Institute

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New report: <http://www.fiscalpolicy.org/SOWNYC2009.html>

As Wall Street recovers, recession continues to grip the rest of New York City

New report reveals mounting economic distress

With no respite in sight for New York's Main Street economy, a tale of two distinct recessions is emerging for the city. That's the message of a new report released today by the Fiscal Policy Institute, a nonpartisan think tank that focuses on tax, budget, and economic issues.

"With each passing day, the disconnect grows. Wall Street is recovering, but in the boroughs and neighborhoods, unemployment has doubled in the past year," said James Parrott, deputy executive director and chief economist at the institute.

According to the report, more than 400,000 New York City residents are currently out of work—and fully 40 percent of them have been without a job for more than six months. Moreover, the unemployment rate, 10.3 percent in September, is likely to stay in double digits for many more months.

The so-called Great Recession hit New York City in August 2008, later than the country as a whole, for which the recession began in December 2007. Since then, according to the report, the local economy has suffered in a number of ways:

- Unemployment has more than doubled over the past year—the sharpest rise in the 34-year history of monthly unemployment data.
- Two thirds of the job loss in the six months following the September 2008 financial meltdown were outside the finance sector.
- Median wages have fallen by five percent in this decade and by 11 percent since 1990.
- New York City consumer spending dropped by 11 percent over the past year.
- Fifty thousand New York City homeowners have lost their homes through mortgage foreclosures over the past two and a half years.
- Personal and business bankruptcies are skyrocketing.

Parrott credits the financial bailout with softening the blow to Wall Street, but said it was not a cure-all. “New York City’s job decline is only half that of the nation’s, but the unemployment crisis is every bit as severe here as it is nationwide,” he said.

The official unemployment rate masks deeper troubles in the city’s labor market:

- A greater share of New York’s unemployed have been without work for more than six months.
- There are large numbers of long-term unemployed, underemployed and discouraged workers—the city’s real unemployment rate is 16 percent.
- Growing numbers of people are entering or re-entering the labor market spurred by economic hardship.
- Young workers face 25 to 40 percent unemployment rates.

“This recession underscores the disparities that characterize our city, with unemployment rates and economic well-being clearly diverging along lines of race and ethnicity,” said Parrott, citing the “real unemployment rate” (which factors in under-employed and discouraged workers) of over 20 percent for blacks and Hispanics who make up half of the city’s workforce.

Restoring the city’s economy to health requires additional federal stimulus and job creation funding and state action to increase New York’s low unemployment benefit. But Parrott believes that the city government has a role, too: “We need skillful management of the city budget to protect vital services while ensuring that the millions we spend on economic development actually result in good jobs, and not more poverty-wage jobs.”

The report is available at <http://www.fiscalfpolicy.org/SOWNYC2009.html>.

The Fiscal Policy Institute (FPI) is a nonprofit, nonpartisan education and research organization that focuses on the tax, budget, and economic issues that affect the quality of life and well-being of New York State and New York City residents.

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