

The Impact of the Economic Crisis on Nonprofits in the Bronx

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The Bronx Forum

***Navigating the Fiscal Crisis: A Forum for Non-
Profits***

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Macro picture: historic structural recession, deep and long, U.S. and global

- Four sources of ***structural*** economic decline: broken financial system, collapsing housing market, collapsing consumer spending, weak wage growth.
- Recession officially started in December 2007; 4.4 million payroll jobs lost; 5 million more people unemployed
- National unemployment 8.1% in Feb. with more job losses on the way.
- Black unemployment rate often runs twice what it is for white, non-Hispanics. Already, Black male unemployment 14.9% in the U.S.
- Steep 6.3% GDP 4th Q decline, and GDP is likely to contract further in first 2-3 quarters of 2009.
- Only dramatic national actions will prevent this from being another Depression.

New York lagged the nation in entering the recession, but is catching up quickly.

- NYC lost 86,000 private jobs between Aug. and Jan.
- Mayor Bloomberg forecasting loss of 294,000 jobs (7.7%) through mid-2010.
- Both high wage and low wage jobs will be hit. Huge increase in unemployment among highly educated workers.
- Hardest hit will be finance, professional and administrative.
- Unemployment claims in NYC up 67% from a year ago.
- NY unemployment rate in Jan. 7.3%, up by 2% over the past year. Could reach 9% or more this year. Black unemployment could reach 14%.
- Many low- and moderate-income people will suffer from foreclosures, job loss, wages that fail to keep up with inflation, and service cuts. Social safety net tattered.

Adjust to a smaller finance sector in New York.

- **50,000 finance jobs or more could be permanently lost.** Big 3 Wall Street firms (Goldman, Morgan Stanley, JP MorganChase) now bank holding companies; less leverage possible.
- **Diminished revenue impact.** Will pay little tax next 4 years, tighter regulation will limit excessive risk-taking, profits, bonuses and taxes.
- **Imbalance between finance and the “real” economy will be corrected.** Finance share of corporate profits rose from 10% in 1980 to 40% in 2007.
- **Foreign Policy magazine named NYC the #1 Global City for Business.** New York has many competitive strengths besides finance.
- **Value-added per worker much higher than nat’l avg. in many sectors.**
- **Dense urban areas more environmentally sustainable and efficient.**
- **Market adjustments will occur.** Real estate prices will fall, finance workers will adapt, new companies will start up or come to NY.
- **Smaller finance sector will be good for NYC and the broader economy, and will help moderate income polarization.**

Bronx outlook

- Unemployment rose to 9.7%, and headed higher.
- Official unemployment of 51,200 in February.
- 2,000 foreclosures 1st 9 months of 2008.
- Poverty already 28% (ACS 2005-07), child poverty 40%; the recession will push poverty higher.
- Bronx likely to fare better than NYC overall ... largely because of high concentration of health, social and educational services ... less vulnerable in downturn.
- But 1 in 6 residents works in either financial or professional and administrative services ... will get hit.
- 60,000 Bronx residents (11.4%) work in retail ... mixed.

Many more families will face hardships

- Double digit unemployment.
- Many other workers on reduced hours.
- People losing their homes or saddled with high debt, or still struggling with high rents.
- Safety net less effective than in prior downturns.
- No increase in maximum unemployment insurance in NYS since 2000.
- State and city budget cuts make it harder for nonprofits to provide assistance.

Economy-induced tax shortfall creates massive State and City budget gaps

- NYS facing \$14 B gap for the coming fiscal year.
- A \$14B gap is one-fourth of state general funds.
- Steep cuts proposed in health, education, and almost every area of human services.
- Proposed wage cuts for both state workers and human service workers. New pension tier.
- Higher education tuition hiked and health insurance assessments hiked to close the gap.
- Mayor's Jan. 30 budget proposes massive cuts to close a \$5.7B gap.

Economic crisis = squeeze on nonprofits

- Economic turmoil and people losing their jobs increases demand for nonprofit social services
- At the same time, nonprofit revenues under pressure with less philanthropic funding and tighter state/local budgets.

Nonprofits are critical to the social fabric of the Bronx

- In addition to providing essential health and human services in a community with high poverty and other socioeconomic challenges, nonprofits are a leading economic sector in the Bronx.
- There are nearly 850 health and human service nonprofits in the Bronx employing 65,000 people.
- These nonprofits account for one in every three payroll jobs in the Bronx.
- Total payrolls of \$2.7B; average annual salary of \$41,800, slightly higher than for the private sector overall. Average pay is highest in hospitals and more modest in home health, child care and social services.

Summing up, the present moment is a once-in-a-lifetime opportunity to make real progress toward achieving shared prosperity.

- Unprecedented downturn; worst since Great Depression.
- Enormous toll in job losses, business failures, foreclosures, and wealth destruction...creating unprecedented hardship and justifiably intense anger.
- But, “a crisis is a terrible thing to waste”—it creates unique opportunities.
- Opportunity to reverse polarization and lay the basis for broadly shared prosperity—the only hope for sustained and sustainable economic growth.
- Promote government investments in social and physical infrastructure, and effective regulation of finance sector.
- Balance NYS & NYC budgets, in part, through progressive tax changes.
- A vibrant nonprofit sector is essential to help us weather this storm and revitalize our communities in the future.



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