

New York City  
Unemployment in 2009—  
The Emerging Crisis



A Fiscal Policy Institute Report  
[www.fiscalpolicy.org](http://www.fiscalpolicy.org)

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## **Introduction**

The purpose of this report is to examine the current economic situation and the near-term implications for the New York City labor market. The current crisis is unprecedented in its nature and severity, and the sharp drop in consumer spending is beginning to trigger a cascade of economic dislocation—including job cutbacks. While New York City has lagged entering the downturn, the recession is clearly here in full force, and labor market conditions are likely to deteriorate rapidly in the months ahead. As this report details, the number of unemployed New York City residents could rise by 120,000 over the next year, escalating the hardships felt by tens of thousands of New York families and straining the social safety net.

## **The national economic context**

The U.S. economy is facing the bleakest economic outlook since the Great Depression. A national recession was officially determined by the National Bureau of Economic Research to have begun in December 2007, and is already longer than the average post-World War II recession. This is not a cyclical downturn, but a structural economic problem with several unprecedented characteristics: a housing crash following the bursting of a housing bubble, a financial market crash and paralysis in lending, and a massive federal taxpayer-financed bailout totaling over \$8 trillion in capital infusions, low interest loans and federal guarantees.

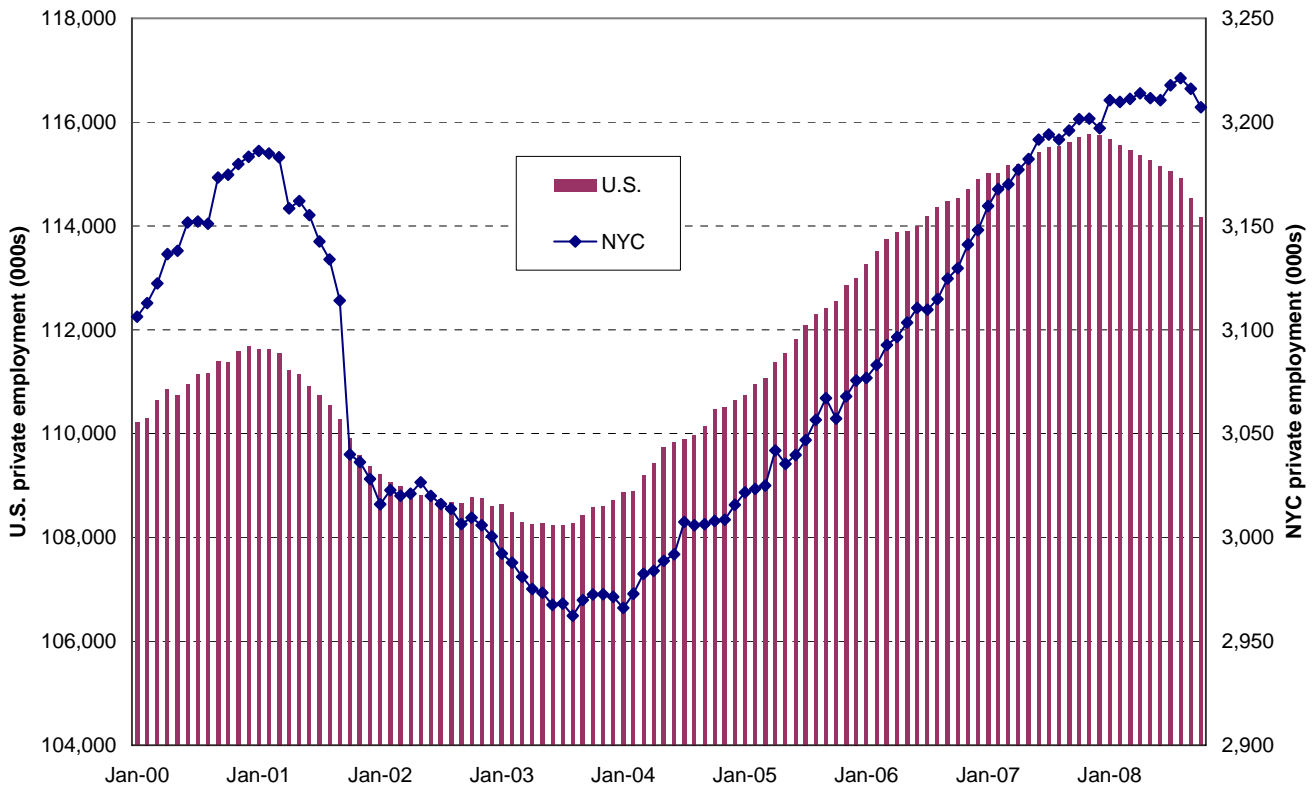
Two factors help explain why the financial rescue operations have not succeeded so far. One, consumer confidence has plummeted by record amounts due to mounting job losses and the destruction of trillions of dollars of asset values in housing and stocks held by millions of American families. And two, housing prices continue to drop, exacerbating an unprecedented foreclosure crisis and reducing the value of billions of dollars in mortgage-backed securities at the core of the financial crisis. One in ten mortgages nationally is either in foreclosure or seriously delinquent. In addition, the downturn and the financial crisis are global in scope.

The pace of the economic contraction is gaining steam, with one third of the nearly two million jobs lost this year occurring in the last three months. Prominent forecasters are expecting fourth quarter Gross Domestic Product to fall by as much as five percent.

## **New York City has lagged entering the recession**

How has New York City fared in this economic maelstrom? While New York is the epicenter of the global financial markets and major financial institutions have succumbed to the turmoil, the city's economy continued to expand for several months after the national economy started to slow. Nationally, jobs have been declining steadily since December 2007. In New York City, it looks like the total job payroll level job peaked in August of 2008. There were individual months where the total job count slipped, but those months were followed by months with larger job gains. (See Figure 1.)

FIGURE 1  
 NYC lagged the U.S. in entering the current recession.



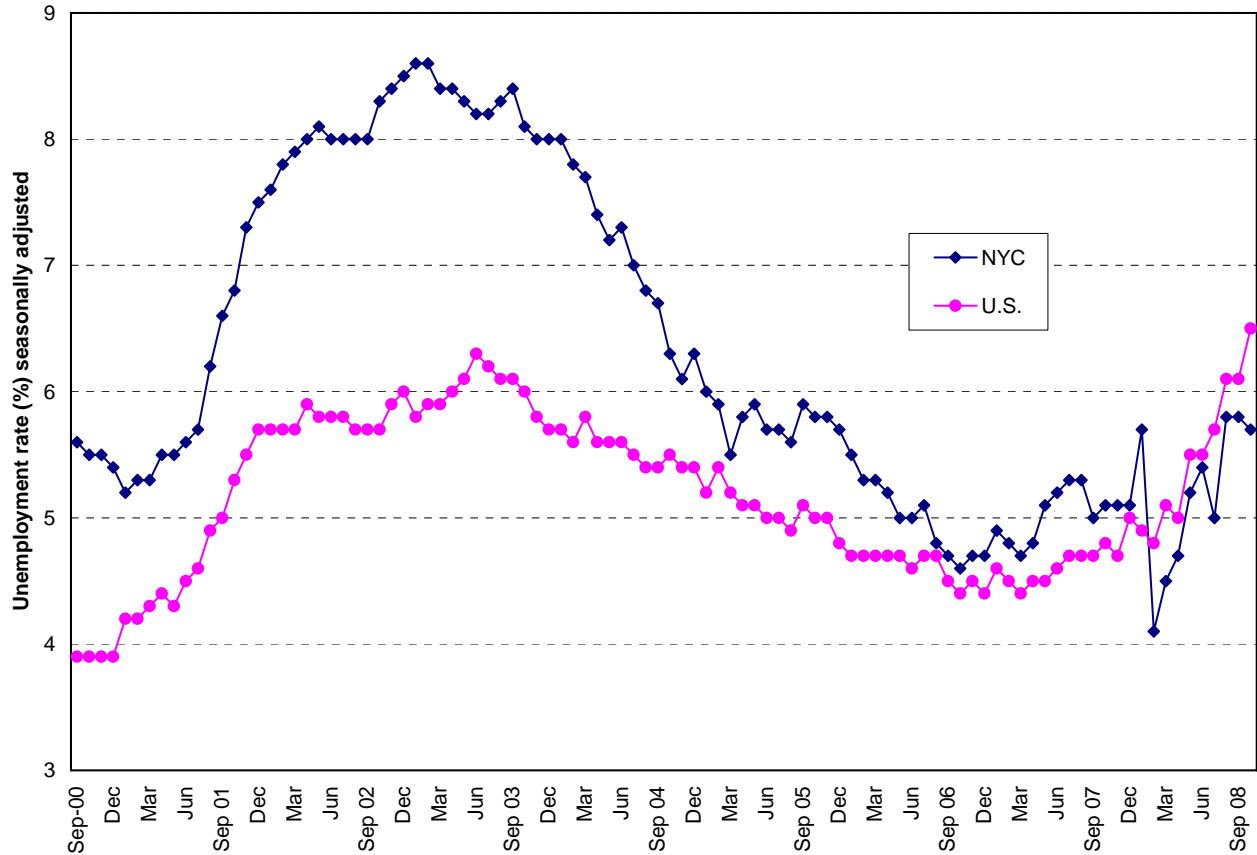
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.

In terms of unemployment, the national low for the unemployment rate occurred from the fall of 2006 to the spring of 2007. In New York City, the low for the unemployment rate was reached in February of 2008. New York City’s seasonally adjusted unemployment rate was 5.7 percent for October 2008 (the latest month of data at this writing), up by 1.6 percent from the low point, but much less than the 6.7 percent national unemployment rate. (See Figure 2.)

Why did New York City lag the nation in entering the recession? Export sectors beyond finance continued strong into 2008. Professional services (law, accounting and consulting), information (media, motion picture production) and leisure and hospitality all increased employment in the first half of 2008 with professional services continuing to grow through October. Robust tourism activity boosted the leisure and hospitality sector until the value of the U.S. dollar started to rise in July and many major economies around the globe started to falter, reducing the volume of foreign tourists coming to New York.

FIGURE 2

NYC's unemployment rate exceeded the nation's for most of this decade, but in 2008, it fell below the national rate.



Source: U.S. Bureau of Labor Statistics.

**From this point on, New York City’s job losses will quickly catch up**

Employment in the financial sector (securities, banks, and insurance carriers) in New York City has been dropping since the fall of 2007. As of October 2008, financial employment was 332,700, down by 16,900 from October 2007, the peak level for financial jobs during the recent expansion. The October 2007 peak for the recent expansion still left the city’s finance sector job count about 21,000 below the previous peak reached in October of 2000.

Even this level of decline has been far less than the job cutbacks announced by the major Wall Street firms, which ran well into the tens of thousands even before the September financial markets meltdown. Severance payments made by most Wall Street firms apparently keep people officially on company payrolls for several months following notification of job loss.

Recent employment forecasts by city and state fiscal offices project that New York City will see private sector job declines in a range from 147,000 (city Office of Management and Budget) to 175,000 (the State Comptroller's office) by the end of next year. These forecasts call for about twice as much job loss as an earlier round of budget-related forecasts made just five months earlier. All of the budget offices made large downward revisions to their forecasts following the September financial market meltdown and the ensuing collapse in consumer confidence.

Still, these projections are less than the jobs lost during the last two recessions. During the city's 1989-1993 downturn, the city lost about 340,000 private jobs and during the 2001-2003 recession and downturn, the city lost 221,000 private sector jobs. However, the unprecedented nature of the current economic crisis makes any forecast fraught with uncertainty so it is conceivable that this downturn could be very long and drawn out and result in a greater cumulative job decline.

Initial unemployment insurance claims are rising rapidly, portending a strong likelihood of an upsurge in local job losses. For the 12 weeks through November 21, initial unemployment filings averaged 8,600 per week, an increase of 41.9 percent over the same period a year earlier. This was the sharpest year over year increase since early February of 2002, when the city's economy was still reeling from the economic aftershocks of the 9/11 tragedy. (See Figure 3.)

Goldman Sachs economists are projecting that the national unemployment rate will reach 9 percent by end of 2009, and could continue rising into 2010. According to the Goldman Sachs economists, "This forecast, if correct, makes the current recession unequivocally the worst single downturn on record since World War II insofar as increases in joblessness are concerned."<sup>1</sup> Given such a national economic outlook, it is conceivable that New York City could see unemployment in the 8.5 to 9.0 percent range by the end of 2009.

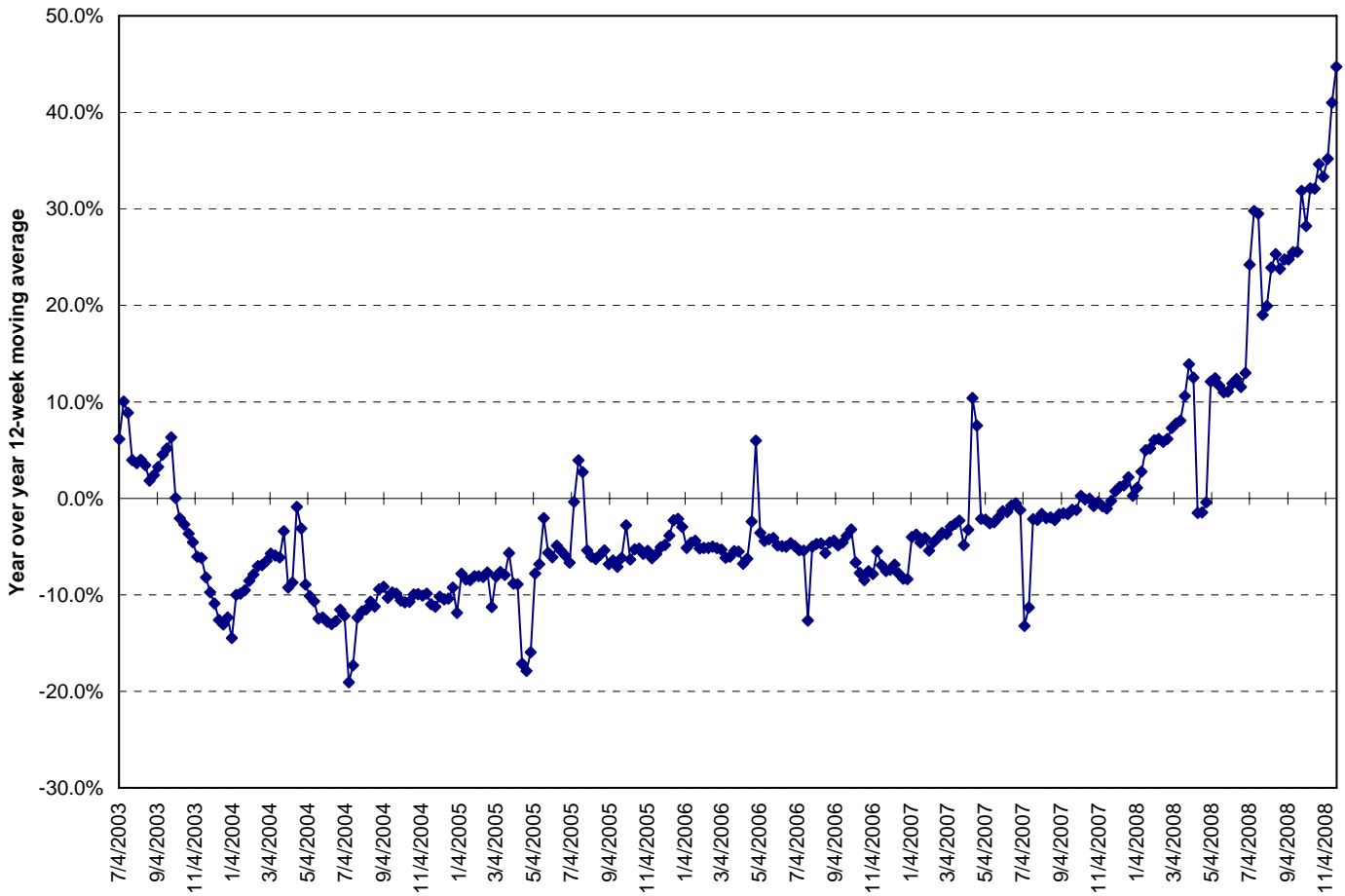
Since the August 2008 peak, New York City has lost about 10,000 jobs. That pace of job loss is likely to accelerate to about 10,000 per month beginning in November and continue through the end of 2009.

New York City's unemployment rate exceeded the national unemployment rate throughout the 2001-to-2003 downturn. The city's unemployment rate was 9.0 percent in January 2003 and averaged 8.4 percent for all of 2003. If the city's unemployment rate reaches 8.5 percent and the size of the labor force remains roughly unchanged, there would be about a 120,000 increase in the number of unemployed by the end of next year. The local unemployment rate could go higher.

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<sup>1</sup> "Washington Impasse Makes Goldman Forecast Gloomier," posted on Real Time Economics, a Wall Street Journal blog, November 21, 2008, <http://blogs.wsj.com/economics/2008/11/21/washington-impasse-makes-goldman-forecast-gloomier/>.

FIGURE 3  
 NYC unemployment initial claims are soaring.



Source: New York State Department of Labor.

**The number of unemployment insurance beneficiaries in NYC is up by over a third**

In October 2008, less than one third of New York City’s unemployed were receiving unemployment insurance (UI). According to the Current Population Survey, 225,000 New York City residents were unemployed in October, but administrative data from the UI system indicate that only 70,100 city residents were receiving UI in October 2008. Even so, this was a 37.5 percent increase in UI recipients compared to October 2007. UI recipiency among young workers ages 20 to 34 increased about 40 percent. It increased fastest (46 percent) among older workers, 60 to 64 years of age. (See Figure 4.)

FIGURE 4  
**NYC unemployment insurance beneficiaries.**

	<b>Oct 08</b>	<b>Percent change Oct 07 to Oct 08</b>
<b>AGE</b>	70,093	37%
Under 20	655	30%
20 to 24	7,312	41%
25 to 34	20,364	38%
35 to 39	8,651	33%
40 to 44	8,305	36%
45 to 54	14,349	37%
55 to 59	5,080	34%
60 to 64	3,242	46%
65 & Over	2,128	39%
<b>EDUCATION</b>	65,498	
Less than 12 years	9,164	30%
12 Years	16,854	35%
Some college	19,408	34%
Bachelor's and higher	20,072	50%
<b>OCCUPATION</b>	70,093	37%
Professional	14,593	46%
Technical	3,153	13%
Managerial	4,348	8%
Clerical & administrative support	10,760	36%
Sales & related occupations	5,545	38%
Blue collar	17,633	50%
Services, excluding private households	12,802	31%
Private households	1,182	75%

Source: New York State Department of Labor.

Among the major occupational groups, New York City's unemployment, as revealed by the UI reciprocity data, has increased fastest among professionals (46 percent) and blue-collar workers (50 percent) over the past year.

Unemployment has increased least among managerial workers (8 percent) and technical workers (13 percent). Unemployment reciprocity has increased by 31 to 38 percent for service workers, clerical and sales workers.

Among private household workers, the smallest of all broad occupational categories, unemployment reciprocity grew by 75 percent from October 2007 to October 2008. This is all the more remarkable since many household workers are not included in the payroll job numbers because their employers do not report them for payroll tax purposes.

Unemployment is increasing rapidly among well-educated workers in New York City. For workers with four or more years of college, UI reciprocity has increased by 50 percent over the past year. Meanwhile, among those with less than a high school diploma, the number of UI recipients increased by about 25 percent over the year. However, the smaller increase for less educated workers in part reflects the fact that many unemployed workers do not receive UI due to the low overall reciprocity rate.

The rapid increase in unemployment among professional and blue-collar workers is reflected in data on UI reciprocity by industry. In industries employing many professionals, finance and insurance has seen a two-thirds increase in UI reciprocity while in the professional services industry; unemployment increased 42 percent over the past year. Blue-collar industries experiencing rapid increase in unemployment includes

transportation (69 percent) and construction (56 percent). Administrative and support, an occupational grouping that includes many clerical workers, increased unemployment by 54 percent over the year. (See Figure 5.)

FIGURE 5  
**NYC unemployment insurance beneficiaries by industry.**

	<b>Oct 08</b>	<b>Percent change Oct 07 to Oct 08</b>
<b>TOTAL</b>	70,092	37%
Construction	6,299	56%
Manufacturing	3,707	11%
Wholesale trade	3,303	41%
Retail trade	5,298	29%
Transportation and warehousing	2,613	69%
Information	2,902	45%
Finance and insurance	5,935	67%
Real estate and rental and leasing	2,231	26%
Professional, scientific, and technical services	6,428	42%
Management of companies and enterprises	402	11%
Administrative & support services	8,596	54%
Educational services	1,611	40%
Health care and social assistance	6,571	20%
Arts, entertainment, and recreation	2,392	26%
Accommodation and food services	4,267	35%
Other services, except public administration	2,176	24%
Unclassified	1,082	42%
Federal government owned	745	8%
State government owned	410	26%
Local government owned	3,082	19%

Note: Total includes some industries not shown separately.  
 Source: New York State Department of Labor.

### **About the unemployed**

As noted, more than two thirds of the city’s unemployed do not receive UI benefits. Thus, the characteristics of those receiving UI, while important to look at as one gauge of the changing unemployment picture, does not reflect the broader situation of the unemployed in New York City. Averaging the most recent six months of the Current Population Survey (CPS) data indicates that the overall city unemployment rate averaged 5.4 percent for May through October 2008. Unemployment was slightly higher among men (5.5 percent) than among women (5.2 percent). (See Figure 6.)



FIGURE 6  
New York City unemployment rates, May-October 2008.

	<u>Number unemployed</u>	<u>Unemployment rate</u>
<b>TOTAL</b>	212,900	5.4%
<b>GENDER</b>		
Male	116,200	5.5%
Female	96,700	5.2%
<b>AGE</b>		
16-24	57,300	14.4%
25-44	91,700	4.6%
45 +	63,900	4.1%
<b>EDUCATION</b>		
Less than high school	54,300	10.6%
High school	64,200	6.1%
Some college	49,000	5.8%
Bachelor's and higher	45,400	2.9%
<b>ETHNICITY</b>		
Non-Hispanic white	47,400	3.0%
Non-Hispanic black	80,500	9.2%
Hispanic	65,800	6.6%
Other	19,200	3.5%

Source: Analysis of Current Population Survey by the Fiscal Policy Institute.

Also notable in the CPS data shown in Figure 6:

- Young workers ages 16 to 24 had a much higher unemployment rate, 14.4 percent, than older workers.
- Unemployment is already 10.6 percent among those with less than a high school education.
- Unemployment among non-Hispanic blacks was 9.2 percent over the past six months, three times the unemployment rate among non-Hispanic whites.

Unemployment is not spread evenly among New York City's boroughs. For the month of October 2008 (the most recent month for which data is available), the unemployment rate in the Bronx was 7.7 percent, much higher than the 6.2 percent unemployment in Brooklyn. The other three boroughs have unemployment rates of 5.0 and 5.1 percent.

If the city's unemployment rate soars to 8.5 percent, what will the unemployment rates likely be for subsets of the resident labor force? Figure 7 provides unemployment rates for key demographic groups for 2000, 2003 and 2007, and a projected breakdown for the last quarter of 2009. (See Figure 7.)

Because unemployment for black workers is already high relative to 2007 annual averages, it is plausible that black unemployment will rise more than it did during 2003. From 2000 to 2003, the city's overall unemployment rate increased by 2.7 percentage points and the black unemployment rate rose by 5.0 percentage points, nearly twice as much as the overall increase.

FIGURE 7

New York City unemployment rates, 2000-2003 and 2007-2009 (projected).

	Annual average, 2000		Annual average, 2003	
	Number unemployed	Unemployment rate	Number unemployed	Unemployment rate
<b>TOTAL</b>	200,300	5.7%	312,800	8.4%
<b>GENDER</b>				
Male	99,400	5.4%	167,800	8.5%
Female	100,900	6.0%	145,000	8.2%
<b>AGE</b>				
16-19	23,300	19.2%	25,900	28.7%
20 +	177,000	5.2%	287,000	7.9%
<b>ETHNICITY</b>				
White	105,300	5.0%	157,700	7.1%
Black	76,900	7.6%	128,800	12.6%
Hispanic	67,200	8.1%	93,900	9.5%
	Annual average, 2007		Projected 4th quarter 2009	
	Number unemployed	Unemployment rate	Number unemployed	Unemployment rate
<b>TOTAL</b>	198,100	5.2%	323,000	8.5%
<b>GENDER</b>				
Male	112,000	5.5%	177,200	8.7%
Female	86,100	4.9%	145,800	8.3%
<b>AGE</b>				
16-19	19,600	22.0%	27,600	31.0%
20 +	178,500	4.8%	295,300	7.9%
<b>ETHNICITY</b>				
White	95,200	4.4%	174,200	8.1%
Black	77,400	7.4%	146,400	14.0%
Hispanic	68,800	7.0%	98,300	10.0%

Source: Current Population Survey unpublished data (2000, 2003, 2007), analyzed by the New York State Department of Labor; 2009 projection by the Fiscal Policy Institute.

An increase in the city's total unemployment rate from the 2007 average of 5.2 percent to 8.5 percent a year from now would be an increase of 3.3 percentage points. Should black unemployment again increase twice as much as the overall city gain, the percentage point rise would be 6.6 percent, bringing the black unemployment rate to roughly 14 percent at the end of 2009.

CPS data for the most recent six-month period already show black unemployment increasing much faster than the overall city unemployment rate. Compared to the 2007 average, black unemployment increased by 1.8 percentage points through the May-to-October period, compared to an overall 0.3 percentage point increase in the city unemployment rate. Compared to last year, the unemployment rate for both non-Hispanic whites and for Hispanics has declined.

Teenage unemployment is also likely to rise by a disproportionate amount. From 2000 to 2003, teenage unemployment increased by 9.5 percentage points from 19.2 percent to 28.7 percent. Teenage unemployment for 2007 was 22 percent, higher than it was at the beginning of the last downturn. Teenage unemployment could rise to 30 percent over the next year.

### **New York City total payroll job level peaked in August and is starting to decline**

Considering the pronounced effect on consumer and business confidence that September's financial market meltdown had, it is fairly certain that August will turn out to be the peak employment month for New York City. Over the following two months, slightly fewer than 10,000 private sector jobs were lost in the city. Figure 8 shows the job change between August and October for major sector categories in New York City. Financial services continued a decline that began last October and accounted for half the city's job loss over this two-month period. In a now familiar pattern of job losses spreading to other sectors of the economy, job declines were also recorded in administrative services, retail trade, leisure and hospitality, construction, and information.

The one apparent bright spot in the local economy during the early fall months was in professional and technical services, which registered a 3,000 job gain. However, given the spreading weakness in the broader economy, it is hard to imagine that this sector will continue to increase employment for long. For example, two of the industries within the professional services category—management consulting and advertising—had lost jobs earlier in 2008. During the downturn earlier in this decade, professional services was one of the hardest hit sectors, losing 45,000 jobs, ranking it third in job loss after financial services and manufacturing.

Employment declines are probably greater than indicated by the payroll survey data since New York City has seen a significant growth in recent years in the misclassification of workers as independent contractors. Misclassification is done to avoid employer responsibility for payroll taxes, health and other employee benefits, paid time off, and other labor protections.<sup>2</sup> Since residential construction is one of the industries characterized by extensive misclassification, the number of construction workers who have lost jobs is probably greater than the payroll numbers indicate.<sup>3</sup> (See Figure 8.)

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<sup>2</sup> Fiscal Policy Institute, *The State of Working New York 2007*, pp. 20-23, <http://www.fiscalpolicy.org/SOWNY2007.html>.

<sup>3</sup> Fiscal Policy Institute, *Building Up New York, Tearing Down Job Quality*, December 5, 2007, [http://www.fiscalpolicy.org/publications2007/FPI\\_BuildingUpNY\\_TearingDownJobQuality.pdf](http://www.fiscalpolicy.org/publications2007/FPI_BuildingUpNY_TearingDownJobQuality.pdf).

FIGURE 8

Since NYC's payroll jobs peaked in August, two thirds of the major sectors have shed jobs.

Industry	Change Aug- Oct 2008	Percent change Aug-Oct 2008
ALL PRIVATE SECTOR EMPLOYMENT	-9,500	-0.3%
Construction	-1,200	-1.0%
Manufacturing	-900	-0.9%
Wholesale trade	-800	-0.6%
Retail trade	-1,700	-0.5%
Transportation, warehousing and utilities	-700	-0.5%
Information	-1,100	-0.7%
Financial services	-4,800	-1.4%
Real estate	600	0.4%
Professional sci. and tech. services	3,000	0.9%
Management of companies	500	0.9%
Admin. & sup. svcs. and waste mgmt.	-2,400	0.1%
Educational services	200	0.1%
Health services	-800	-0.2%
Social assistance	700	0.4%
Leisure and hospitality	-1,400	-0.4%
Other private services	1,300	0.8%

Source: FPI seasonal adjustment of New York State Department of Labor Current Employment Statistics data.

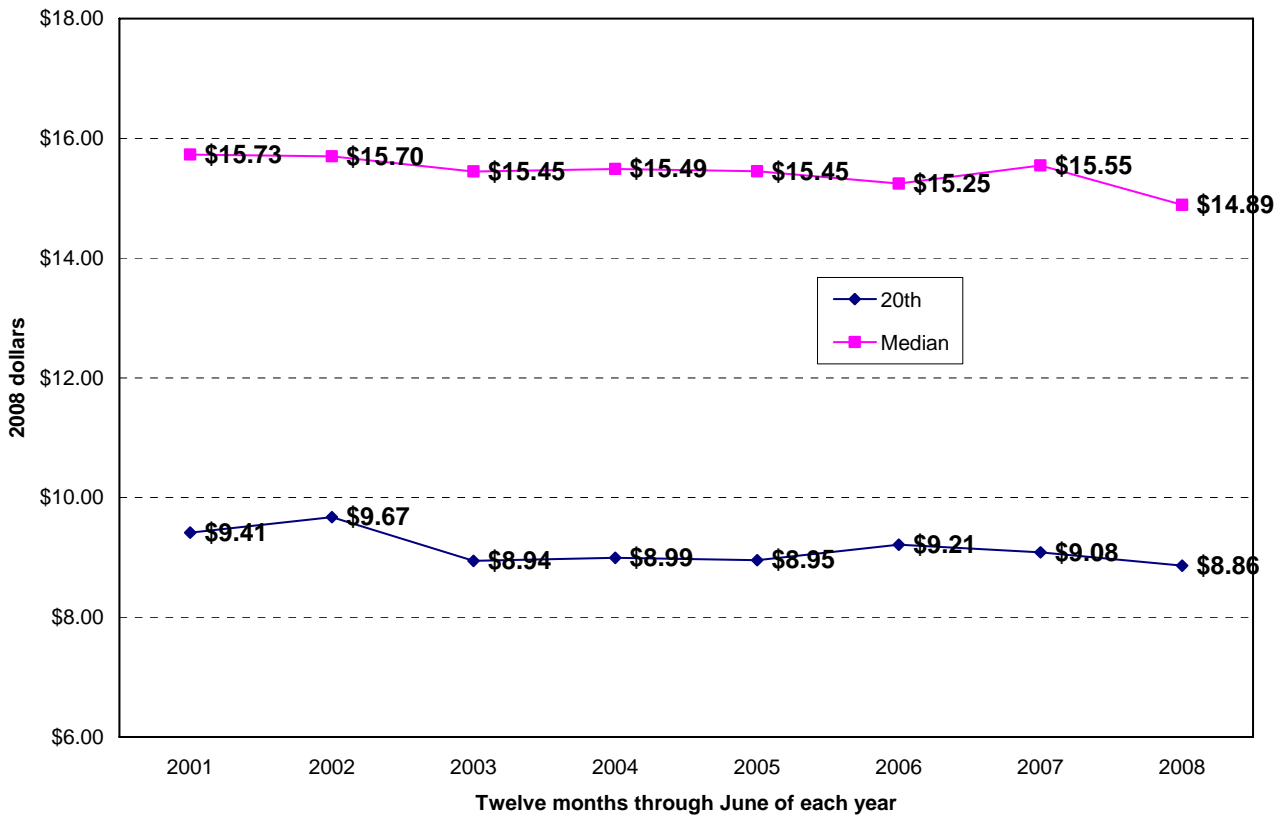
### **Hourly wages are sagging sharply**

An important indicator of the health of the labor market is the trend in hourly wages. The recent recovery and expansion was the first one during the post-World War II period when wages for the average worker did not rise. As Figure 9 indicates, hourly wages for the median worker declined by 5.3 percent from mid-2001 to mid-2008. Most of this decline, 4.2 percent out of the 5.3 percent, occurred in the last year.<sup>4</sup> The wage trend for the typical low-wage worker—often described as the wage for the 20<sup>th</sup> percentile of the wage distribution—also fell during the recovery and expansion, by 5.8 percent. Of that decline, 2.4 percent came from the most recent 12-month period through June 2008. (See Figure 9.)

<sup>4</sup> This analysis measures wage change between 12-month periods ending in June of each year. Thus, the recent 4.1 percent median wage decline was for the period from July 2007 to June 2008, compared to the prior year.

FIGURE 9

NYC real hourly wages at the median and 20th percentile did not rise over the past cycle from 2001 to 2008.



Source: Current Population Survey data analyzed by FPI.

### Problems with unemployment insurance—the first line of defense

The unemployment insurance safety net is the first line of defense against downward spiraling incomes for tens of thousands of New York’s working families facing a worsening recession. And as concluded in an earlier FPI report, *New York’s Rising Unemployment—The Other Crisis in Albany*, New York State’s unemployment system sorely needs modernization to raise the wage replacement rate and to expand eligibility to a higher proportion of low-wage workers.<sup>5</sup> Unemployment insurance not only provides a degree of wage replacement for workers losing jobs through no fault of their own, but it also functions as an automatic stabilizer, helping to put a brake on the downward spiral of declining jobs and disappearing wages.

During the last economic downturn, unemployment insurance payments were critical to helping stabilize New York City’s economy. In 2002, unemployment benefits were \$3.9

<sup>5</sup> Fiscal Policy Institute, *New York’s Rising Unemployment—The Other Crisis in Albany*, August 28, 2008, [http://www.fiscalpolicy.org/FPI\\_UnemploymentTheOtherCrisis\\_August2008.pdf](http://www.fiscalpolicy.org/FPI_UnemploymentTheOtherCrisis_August2008.pdf).

billion in the city and accounted for over one third of the growth in total personal income between 2000 and 2002.<sup>6</sup>

Because New York State does not index its maximum unemployment benefit and has not updated its unemployment system since 2000, New York State’s average weekly benefit now averages only \$305, much less than in the neighboring states of New Jersey, Connecticut, and Massachusetts. The “wage replacement rate” of UI benefits in New York used to be above the national average, but fell below the national average in 2003. In 2007, it was only 43.8 percent, compared to 47.0 percent for the U.S. overall.<sup>7</sup>

Other safety net programs show mixed results in terms of their responsiveness to the economic downturn and rising unemployment. Figure 10 provides data on the change in various public assistance program areas for New York City.

FIGURE 10  
NYS public assistance reciprocity, selected programs.

	<u>Jul - Sep 2007</u>	<u>Jul - Sep 2008</u>	<u>Change</u>	<u>Percent change</u>
<b>Food stamps</b>				
Households	603,848	696,470	92,622	15.3%
Persons	1,105,599	1,278,266	172,667	15.6%
<b>Supplemental Security Income (SSI)</b>				
Recipients	407,415	410,169	2,754	0.7%
<b>Family Assistance (TANF)</b>				
Cases	72,529	67,680	-4,849	-6.7%
Recipients	159,351	148,458	-10,894	-6.8%
Children	121,254	113,291	-7,963	-6.6%
Adults	38,097	35,167	-2,930	-7.7%
<b>Safety Net Assistance (SNA)</b>				
Cases	110,969	109,463	-1,506	-1.4%
Recipients	194,793	186,313	-8,480	-4.4%
Children	79,897	72,998	-6,899	-8.6%
Adults	114,896	113,315	-1,580	-1.4%
	<u>Apr - Jun 2007</u>	<u>Apr - Jun 2008</u>	<u>Change</u>	<u>Percent change</u>
<b>Medicaid recipients</b>	2,330,882	2,353,738	22,856	1.0%

Note: Reciprocity figures are three-month averages. Source: New York State administrative data.

<sup>6</sup> Fiscal Policy Institute, *The State of Working New York 2007*, p. 56.

<sup>7</sup> U.S. Department of Labor, Employment and Training Administration.

While food stamp reciprocity has increased by 15.6 for the July-to-September 2008 period compared to the same months in 2007, this result was partly driven by administrative reforms undertaken by the city that have streamlined the application process. At the other extreme, since Temporary Assistance to Needy Families has been subject to a five-year time limit for lifetime eligibility since the 1996 national welfare reform legislation, family assistance has continued to decline, falling by 6.8 percent in this year's third quarter compared to the third quarter of 2007. Even the number of recipients for the state's Safety Net Assistance program, which is not subject to a time limit, declined by 4.4 percent over this period. (See Figure 10.) More over, the state has not increased the amount of its basic welfare grant now paid under the Safety Net Assistance program since 1990.

In a recent report, the Center on Budget and Policy Priorities estimated that the economic dislocations caused by the current recession could result in large increases in poverty and push millions of people into "deep poverty", with incomes below half of the poverty line. Using the Goldman Sachs projection that the national unemployment rate could be 9 percent by the fourth quarter of 2009, the Center estimates that this could increase the number of people in poverty by between 7.5 million and 10.3 million. The number of people in deep poverty could rise by between 4.5 million and 6.3 million.<sup>8</sup> New York City's poverty rate is already around 20 percent, depending on the measure, and would almost certainly rise sharply as unemployment increases in New York City.

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<sup>8</sup> Sharon Parrott, *Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty*, Center on Budget and Policy Priorities, November 24, 2008, <http://www.cbpp.org/11-24-08pov.htm>.



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

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