

CRAIN'S
April 20-26, 2009

It's bad, but not that bad

THE OFFICIAL Bloomberg administration forecast predicts that the city will lose about as many jobs in this recession as it did in the 1988-92 downturn. However, two noted local economists say this decline, while significant, will not be that bad. Here are their reasons why. **What's your opinion on the downturn? Let us know at feedback_cnyb@crainsnewyork.com**

Few back-office, factory jobs to lose, but big fiscal woes

BY RONNIE LOWENSTEIN

WITH THE CITY'S UNEMPLOYMENT rate jumping to 8.1% in February from 6.9% in January, many New Yorkers are asking: "How bad is it going to get?" The Independent Budget Office's latest economic forecast indicates it's likely to be severe, with the city losing 270,000 jobs from the first quarter of 2008 through mid-2010.

While that's a lot of jobs, it's considerably fewer than the 360,000 private-sector jobs lost in the 1988-92 recession. Given that the financial sector is at the heart of the current worldwide

recession and that New York is at the center of the global financial industry, one might think the city would be hit even harder.

A key reason job losses won't be as deep this time around is that the share of jobs in local industrial sectors has changed markedly.

For example, manufacturing is usually hit hard in a recession. During the 1988-92 recession, the city lost a quarter of its 290,000 manufacturing jobs.

Today, there are simply fewer

relatively modest decline of 8,000 jobs.

Likewise, at the start of the 1988-92 recession, the city had a substantial share of back-office financial jobs. Many of those jobs never came back, emigrating across the Hudson and beyond. So we simply don't have as many of them to shed now.

But as manufacturing and back-office employment declined, jobs in the health and education sectors grew and now account for about 1 in 5 private-sector jobs here.

Employment in these sectors grew right through the 1988-92 and 2001 recessions, and we expect health care to grow through the current downturn while education remains flat.

Although today's downturn may result in fewer job losses than some expect, the fiscal consequences will nonetheless be quite severe.

Many of the job losses will be in the city's three highest-paying sectors—finance (77,000 jobs), business services (72,000) and information (24,000)—which is a major reason why IBO projects that city tax revenue will fall by \$2.6 billion this fiscal year and another \$1.5 billion next year.

Ronnie Lowenstein is director of the Independent Budget Office.



ANDREA MICHINI/THE NEW YORK TIMES/REDUX

manufacturing jobs to lose. So our projected loss of about 9% of manufacturing jobs amounts to a