Office of the New York City Comptroller
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ECONOMIC NOTES

VOL. XVIII, NO. 2, JULY 2009

New York City Recession Moderates

Overview: ***The city's economy continued to deteriorate in 1Q09, although at a slower pace than in 4Q08. There are also indications that the national recession is losing some of its momentum. However, several major problems, including a depressed housing market, tight credit, and a soaring unemployment rate, continue to impede recovery.***

- **Real Gross City Product fell at an estimated 4.1 percent annual rate in 1Q09, after a 6.1 percent decline in 4Q08.** The U.S. economy fell 5.5 percent (final) in 1Q09 after a 6.3 percent decline in 4Q08. The economies of both the city and the nation continue to contract as labor, construction, and credit market data indicate. However, a weak cyclical rebound in confidence and spending, combined with the federal stimulus package, are expected to help the national economy resume growing in the second half of 2009.

- **NYC payroll jobs have fallen by 108,000 since their cyclical peak in August, 2008.** Nearly half of the job losses, or 48,200, have come in the high-wage "finance and insurance" and "professional and business services" sectors. Nevertheless, the city's rate of job loss slowed in April and May and overall, the city has lost proportionately fewer jobs to the recession than has the nation.

- **NYC's unemployment rate rose to 9.0 percent in May, compared to 5.1 percent in May, 2008,** representing its highest level on a seasonally-adjusted basis since 1997. The U.S. unemployment rate rose to 9.4 percent in May, its highest since 1983. The city's labor force participation rate rose to 60.9 percent, its highest level on record, while the city's labor force exceeded 4 million for the first time.

- **For the first half of 2009, the city's payroll tax withholding, a good indicator of worker incomes, was down 14 percent from the equivalent period of 2008.** During 2Q09, income tax withholdings were down 3.8 percent from the same period in 2008. First quarter withholdings are strongly influenced by year-end bonus payments. Estimated tax payments, which are based on taxpayers' estimates of interest earned, rental income, and capital gains, fell 42 percent in the first half of 2009 compared to the same period a year earlier.

- **General city sales tax collections declined 7.8 percent for the first five months of 2009, compared to the same period in 2008.** The decline in sales taxes, a good indicator of consumer spending, was especially severe in March and April, possibly a response to lower year-end bonuses and/or smaller quarterly dividend earnings. Sales tax collections recovered somewhat in May.

- **The Manhattan office vacancy rate rose to 9.6 percent in 1Q09, the highest since 3Q05**, according to Cushman & Wakefield. Vacancy rates rose in all three submarkets; to 8.1 percent in Downtown and Midtown South and to 10.5 percent in Midtown. Of the 7.5 million square feet of space placed on the market in 1Q09, almost six million square feet were in Midtown.

- **The number of Manhattan apartments sold rose 28 percent in 2Q09 over 1Q09**, but were down 50 percent from 2Q08, according to a report by Prudential Douglas Elliman. The average sales price per square foot declined 16.4 percent on a year-over-year basis. Brooklyn home sales were down 35.8 percent in 1Q09 from the previous quarter while home sales in Queens fell 34.2 percent.

- **Ridership on NYC Transit, an indicator of the City's overall economic activity, fell 2.2 percent during the first four months of 2009**, compared to the same period of 2008. Subway ridership declined 2.5 percent in the January-April period, while Long Island Rail Road ridership decreased 4.7 percent and Metro-North ridership was off 3.4 percent.

INSIDE FOCUS:
The Recession's Unemployment Impact

Summary Table. *Five Key Economic Indicators, NYC and U.S., 4Q08 and 1Q09*

	1. GCP/GDP Growth, SAAR		2. Payroll-Jobs Growth, SAAR		3. PIT Withheld, Growth, NSA		4. Inflation Rate, NSA		5. Unemployment Rate, SA	
	NYC	*U.S.*	*NYC*	*U.S.*	*NYC*	*U.S.*	*NYC*	*U.S.*	*NYC*	*U.S.*
4Q08/3Q08	-6.2% Worse	-6.3% Worse	-4.7% Worse	-3.7% Worse	4.9% Better	-4.0% Worse	2.7% Better	1.6% Better	6.6% Worse	6.9% Worse
1Q09/4Q08	-4.1% Better	-5.5% Better	-4.5% Better	-5.9% Worse	-19% Worse	-12% Worse	1.3% Better	0.0% Better	7.7% Worse	8.1% Worse

NSA means Not Seasonally Adjusted. SA means Seasonally Adjusted. SAAR means SA Annualized Rate. PIT means Personal Income Tax. Comparisons for "Better," "Worse," or "No Change" are with the prior quarter.

New York's Unemployment Surge

Summary: **After enjoying a period of historically low unemployment, the city is experiencing a surge in joblessness. The recession's impacts have fallen most heavily on men, on African Americans, on prime-age workers, and on the relatively well-educated. Income losses from unemployment are likely to be cushioned somewhat due to the preponderance of multi-earner families and an increase in self-employment, but thousands of families will see their incomes plunge.**

During the early stages of this recession, New York City's economy seemed to defy the laws of gravity. While the nation's job total peaked in December, 2007, and then began an accelerating descent, the city continued to create jobs right through the summer of 2008. For much of the year, the city's unemployment rate was below the nation's, the first time the city enjoyed a period of sub-national unemployment rates since 1988. Local job growth came to an abrupt end in September, however, symbolized if not caused by the failure of Lehman Brothers and the bail-out of AIG. Since that time the city's workers have shared fully in the nation's labor market miseries, with over 108,000 jobs evaporating citywide between August, 2008 and May, 2009.

There is not a one-to-one correspondence between job losses and unemployment, however, as some severed workers join the ranks of the self-employed, while others leave the labor force entirely. Moreover, the pool of unemployed job-seekers is affected by flows of new workers from other states and from abroad, and from the ranks of young people graduating high school or college. In addition to rising unemployment, the recession is likely to result in fewer migrants to the city, more self-employment, and more discouraged workers dropping out of the labor force.

Nevertheless, with the recession lingering and most forecasters expecting local job losses to continue well into 2010, there is a good chance that the number of conventionally-defined unemployed in the city will reach 400,000 for the first time since 1993. That translates into over 1 million New Yorkers living in severely diminished economic circumstances.

Forecasting Job Losses

Several government agencies produce economic and revenue forecasts for the city, including the New York City Comptroller's Office. Typically, they also release jobs forecasts, which are produced as a basis or byproduct of their overall economic projections.

The Mayor's Office of Management and Budget projects a loss of 172,000 payroll jobs in calendar year 2009 and another 129,000 in 2010.[1] Although the agency did not present peak-to-trough job loss projections, the annual levels are consistent with a total loss of about 340,000, measured from the August, 2008 peak. The City Council's Finance Division projects a peak-to-trough loss of 260,000 private payroll jobs.[2] The New York City Independent Budget Office projects a total loss of 268,600 non-farm jobs.[3]

The New York City Comptroller's Office projects a total non-farm job loss of 250,000 between the August, 2008 peak and the trough of the job cycle, anticipated to occur in autumn of 2010. Like other forecasters, the Comptroller's Office revised upward its projection of how many jobs the city would lose, once the severity of the recession became more apparent late last year.

Although each agency uses its own economic models and methodologies, all projections are ultimately based on an analysis of how the city was affected by past national downturns and how this recession is similar or different from them. However, a review of the city's recent job cycles underscores how each downturn has its own unique context and conditions.

The most severe job cycle in recent city history straddled the deep recession of 1974-1975. That recession was triggered by the Organization of Arab Petroleum Exporting Countries' (OAPEC) embargo of oil shipments to the United States, leading to the first energy crisis and the era of economic "stagflation." While the national recession was sharp, the period of nationwide job losses lasted only six months. For New York City, however, the recession deepened a period of structural job loss that began in 1969 and did not cease until 1977. During a period of nearly seven years, the city lost jobs in 72 of 89 months, with payrolls ultimately contracting by 642,000 jobs.

The disastrous mid-seventies recession was followed by a serious "double-dip" national recession in 1980-1982, triggered by the second energy crisis and the Federal Reserve's efforts to control spiraling inflation. Interest rates on business and consumer loans soared to unprecedented levels and interest-sensitive industries, such as housing and automobiles, were severely impacted. Although the nation lost over 2.2 million jobs between April, 1980 and December, 1982, the city experienced a very mild job cycle, losing only 48,000 jobs over a six-month period.

[1] NYC Office of Management and Budget. *The City of New York Executive Budget Fiscal Year 2010*, May 1, 2009. p. 21.

[2] New York City Council. *Fiscal 2010 Preliminary Budget Response*, April 2009, p. iii.

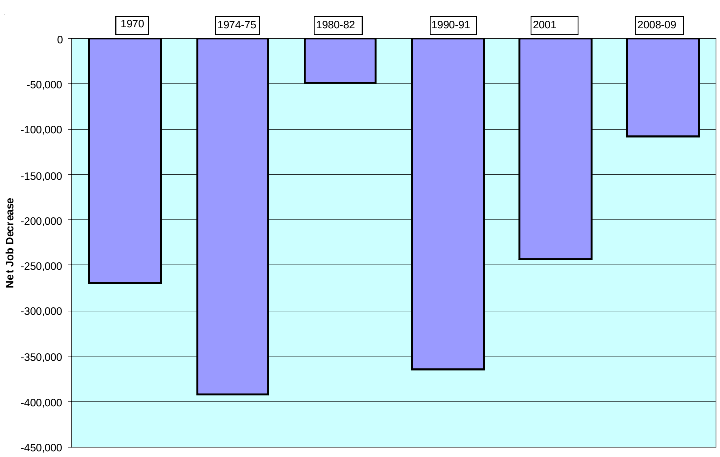
[3] New York City Independent Budget Office. *Analysis of the Mayor Preliminary Budget for 2010*, March 2009, p. 6.

The next downturn, which officially lasted from July, 1990 to March, 1991 took a much greater toll on New York. After the "Black Monday" stock market crash in October, 1987, the city's job market settled on a precarious plateau, with losses in the securities industry roughly balanced by job gains in other sectors. In the spring of 1989, however, the city began a jobs contraction that preceded the nation's by over a year and continued for a year and a half after national job creation had resumed. All told, the city lost 364,000 payroll jobs, which included about 10 percent of all jobs lost nationwide during the months of the actual recession. The economic climate surrounding the 1990-91 recession bore many similarities to the present, including a stock market slump, banking instability (the savings and loan crisis), and a real estate credit crunch.

After eight years of job expansion, another employment slump began in early 2001, led by securities industry cutbacks in the wake of the technology stock bubble. By mid-2001 the national economy had lapsed into a mild recession, but in September the city was devastated by the 9/11 terror attack. The city lost over 70,000 jobs in the month following the attack and another 75,000 over the ensuing two years. About 6.5 percent of the net national job loss between March, 2001 and August, 2003 occurred in the five boroughs.

The severity of the current recession raises fears that the city's job losses will match or exceed those of previous downturns. Except in 1980-82, the city always lost proportionately more jobs than did the nation, and national job losses have been mounting at an alarming rate for the past six months. If the city had merely suffered a proportional rate of job loss as has the nation since the beginning of 2008, it would have already lost about 165,000 jobs.

Chart 1: NYC Job Losses in Six Recessions



Source: BLS; NYC Comptroller's Office

Moreover, many analysts expect that this recession will ultimately affect New York more than most places, because of the concentration of financial sector jobs here. In past financial cycles, the city has lost 50,000 to 60,000 finance sector jobs, and considering the huge disruption to the financial industry that has already occurred, most forecasters are expecting similar losses in that sector again. Applying standard multiplier analysis to reflect the effects of inter-industry linkages and financial worker consumption spending, those industry losses imply an employment decline of up to 140,000 attributable to the financial sector's difficulties alone.

There are, however, reasons to hope that the city's labor market will weather this storm better than some others that have dampened employment prospects. In each of the five most recent business cycles, the city began losing jobs prior to the peak in national employment. This time, the city continued to create jobs well after the national recession began.

One reason the city has fared better, thus far, is that the bursting of the credit bubble has disproportionately affected construction and industries that produce and distribute goods. Since December, 2007 construction, manufacturing, transportation, warehousing and retail trade, industries in which New York City is not highly concentrated, have accounted for about two-thirds of the national job decline. At the employment peak, those industries accounted for over 30 percent of national nonfarm employment but for only 17 percent of the city's. Even within the financial sector, the largest job losses have thus far occurred in the "retail" operations associated with housing finance and real estate; only 11 percent of financial industry job reductions since August, 2007, have been in commercial banking and in securities, commodities contracts, and investments.

There is also considerable evidence that the city's competitive position is inherently stronger today than it was at the time of previous downturns, particularly those of 1974-75 and 1990-91. During those periods, there were numerous high-profile corporate relocations out of the city, both to lower-tax states and to suburban locations that seemed to promise higher-quality business environments. That trend appears to have abated, as municipal services and the quality of neighborhood life has improved, and the city has become more tax-competitive. Today, for example, the combined city, state, and MTA tax rate on corporate earnings is about 17.2 percent, compared to 22.05 percent in 1976.

The Comptroller's forecast anticipates a continued slowing of the rate of national economic decline during the summer months and a resumption of GDP growth in late 2009. Various "consensus" forecasts embody a similar scenario. If the recession ends sooner, there is a possibility that the various agency job projections will prove too pessimistic. If the recession holds still more unfortunate surprises, the job losses could exceed those projected. Of particular importance is the pace of the recovery once it takes hold. New job creation tends to lag an upturn in business activity, and if the recovery is sluggish, national and local unemployment could continue to grow for a considerable period of time. Unfortunately, there are several reasons, notably the tight credit conditions and the massive loss of families' housing and stock market wealth, to expect an unusually tepid recovery from this slump.

Labor Force Flows

In May the city's unemployment rate reached nine percent for the first time since 1997 and the number of New Yorkers actively looking for work reached 361,000, the most since 1993. The number of unemployed in the city has nearly doubled during the past year, and considering that the labor market is still deteriorating, the number of unemployed should approach the 400,000 reached in January, 1993, the highest number in the past 40 years.

The number of unemployed persons and the unemployment rate are functions of the size of the labor force as well as the number of jobs available. In recent years the city's labor force has actually grown faster than the nation's, increasing at a 1.5 percent rate since 1994 compared to the national growth rate of 1.2 percent. Between 1994 and 2008 the city's resident labor force grew by about 675,000. Growth in the resident working-age population accounted for about 400,000 of the increase, and an increase in the labor force participation rate[4] accounted for the remainder.

Over the past several years the city's labor force has been expanding by about 46,000 workers per year, with the city's resident labor force exceeding 4,000,000 for the first time in April. The number of young people just entering the workforce (the biggest increase in labor force participation comes at 18 years old) has been exceeding the number reaching retirement age (the biggest decrease in labor force participation comes at 62 years old), by about 42,000 each year, producing a natural annual increase of the city's labor force of about that size. However, in 2009 the first cohort of post-WWII babies will be reaching 62 years of age, and the number of New Yorkers entering retirement will begin to increase significantly. Coupled with a declining number of 16-18 year olds, the natural rate of increase of the city's labor force should slow to about 20,000 per year.

The city's labor force is also affected by domestic and international migration, which is somewhat sensitive to employment opportunities. We calculate[5] that the city's labor force lost about 37,000 more workers in 2005 due to migration than it gained, and 50,600 in 2006, but that figure fell to only 7,000 in 2007 as the economy in other parts of the country, particularly the southeast, began to weaken. Data is not yet available to calculate a figure for 2008, but reports from the Census Bureau indicate that net migration out of the northeastern states was the lowest since 2003. It is likely that diminished job opportunities in the sunbelt will persist for several years, suppressing migration from the city and the northeastern region in general, thereby offsetting the expected slowdown in labor force growth due to natural increase.

Although the city's labor force participation rate remains below the national rate, it has increased by about 4.4 percentage points since 1994, while the nation's has actually declined slightly. In the long term the labor force participation rate reacts to structural factors affecting work and incomes, and to cultural attitudes regarding work. Over the past sixty years, for example, the nation's labor force participation rate rose from 58.8 percent to 66.0 percent, with the male participation rate declining as the female rate nearly doubled. More career opportunities for women, changing attitudes toward work and family, and changes in unemployment, disability and other income support programs contributed to those long-term changes.

In the shorter run, labor force participation reacts to the relative abundance of job opportunities, and usually peaks somewhat after the peak in the business cycle. Plentiful jobs encourage workers whose attachment to the labor force is not strong, whose employment skills are marginal, or who have grown discouraged, to enter the labor market in hopes of finding an opportunity. Sometime after the employment cycle peaks, job seekers again grow discouraged or find other pursuits and the participation rate slips. In the city's last employment cycle, the participation rate peaked during the first half of 2002, more than a year after city businesses began trimming payrolls. It then declined until late 2004 before picking up again. By May, 2009 the city's labor force participation rate had climbed to 60.9 percent, the highest in the 32 years for which data are available.

A statistical analysis of past labor force patterns suggests that the city's labor force probably reached its peak in recent months and that it will begin to contract as dimming employment prospects cause residents to withdraw from the labor market. If our current economic forecasts are roughly on target and past labor force behavior holds true, the city's labor force will contract by about 120,000, reaching a trough in early 2011. The city's conventional unemployment rate should reach about 9.5 percent in late 2009 and remain at that elevated level into 2010. These forecasts imply a total of about 400,000 unemployed city residents by late 2010.

[4] Defined as the ratio of people working or actively looking for work to the working-age population.

[5] From American Community Survey microdata.

Patterns of Unemployment

Although recessions bring to mind mass layoffs, the dynamics of unemployment are actually quite complex. Even in ordinary times there is significant churning of the labor force. However, during recessionary periods, the usual relationships between job openings, discharges and quits, labor force entrances and new hires are upset, not only changing the total number of unemployed, but the composition of unemployment as well.

In a typical month, businesses in the city hire about 166,000 new employees, some to replace departing employees and some to fill new positions. Even during economic expansions some employers are contracting while others are adding workers, but the net effect is usually positive. During the city's 5-year expansion from 2004 through 2008, net job growth was about 3,500 per month.

Also in a typical month, about 215,000 New York City workers leave their jobs. Some are laid off or are discharged, some retire, and some move on to other jobs or activities. Over the course of a year, that results in about 45 percent of all jobs turning over, and more than half of all private sector jobs. The city's rate of job "separations" is similar to those of other large cities and to the nation's at large.

Unfortunately, data on the city's labor market are neither as current nor as detailed as those for the nation. National data show that, on average, about 55 percent of job separations are quits, about 39 percent are discharges and 6 percent are for other reasons. During this recession, the separations rate has actually fallen, as an increase in discharges has been offset by a lower quit rate. It is not surprising that voluntary quits have fallen, as fewer opportunities are available to those wishing to make a direct change, while leaving a job without another lined up has become a riskier proposition. From March, 2007 to March, 2009, the number of job vacancies nationally fell by about 40 percent, while the number of unemployed vying for those jobs increased by almost 90 percent.

When the ratio of job seekers to job openings increases dramatically, as it has over the past year, the composition of unemployment tends to change as well. One of the biggest changes is the length of unemployment spells. New entrants into the labor force have to search longer for their first break while those who lost or left jobs don't find new ones as quickly. The ranks of the long-term unemployed tend to rise faster than overall unemployment does.

Table 1 shows how unemployment duration has changed in the city from the first quarter of 2008 to the first quarter of 2009. Consistent with a plunging re-employment rate, the number of long-term unemployed has increased most rapidly. That can have severe implications for city households, insofar as families can quickly deplete their savings when one or more members are unemployed. Although data on the savings of city households are not available, some data at the national and regional levels exist. In the northeast in 2007, 91 percent of all families had transactions accounts (checking, savings or money market accounts), but the median value of such holdings was only $5,100.[6]

Table 1: Characteristics of New York City's Unemployed

	1Q08 number	1Q09 number	% change percent
By gender:			
Male	98,100	195,700	99.4
Female	90,400	128,900	42.6
By race/ethnicity:			
Black	50,800	135,400	166.7
White	39,300	56,100	42.6
Hispanic	67,100	94,600	41.0
Asian & other	31,300	38,500	22.9
	188,500	324,600	
By age:			
16–24 yrs old	57,300	64,500	12.7
25–54 yrs old	99,900	211,800	112.0
55 yrs and older	31,400	48,300	54.0
By education:			
No HS diploma	40,800	53,200	30.4
HS, some college	103,300	190,500	84.3
BA or more	44,400	81,000	82.3
By duration:			
Less than 5 weeks	45,400	61,400	35.5
5 to 14 weeks	63,700	108,300	70.2
14 to 26 weeks	36,100	59,200	64.2
27 weeks or more	43,500	95,600	119.9

Source: NYC Comptroller's Office from CPS microdata

Table 1 reveals other disturbing aspects of the recent increase in the city's unemployment. Most startling has been the increase in unemployment among African-Americans; unemployment among black New Yorkers has risen four time faster than among other ethnic groups, pushing their unemployment rate to 14.7 percent in the first quarter of this year. Although the national unemployment rate among African Americans reached an alarming 13.6 percent in the first quarter of 2009, it has not risen as precipitously as it has in the city. The usual pattern is that the unemployment rate among African Americans tends to be about twice as high as for non-Hispanic whites, but the gap has widened substantially in the city during the past year.

Also startling is the degree to which the present recession

[6] *Tables based on data from the 2007 Survey of Consumer Finances, Federal Reserve Board of Governors.*

has affected prime working-age males, especially those with higher levels of education. Men have accounted for over 70 percent of the growth in the city's unemployed since early 2008, and unemployment among them appears to have grown most rapidly among those aged 25 to 64 years old. Although unemployment rates remain lower for more highly-educated workers, unemployment among them has increased proportionately more during this downturn than in previous recessions. The rapid rise in unemployment among men and the more-educated appears related to the disproportionate job reductions in the financial sector and in professional and business services.

The unemployment figures presented in Table 1 correspond to the Bureau of Labor Statistics' standard definition: people are classified as unemployed if they had no employment during the reference week, were available to work, and had made specific efforts to find employment during the preceding 4-week period. After labor economists argued that that is a too-narrow definition of unemployment, the BLS developed several other definitions. One such definition, designated "U-6," includes people meeting the standard definition, plus people who have not actively looked for a job in the past four weeks but indicate that they want to work, plus people who are working part-time but wish to be working full-time. This broader definition shows that unemployment and underemployment affects a much larger number of New Yorkers. Table 2 shows how the narrow and expanded unemployment rates compare by gender, race and education.

Table 2: Conventional & Expanded Unemployment Rates New York City, 1Q08 vs 1Q09

	1Q08		1Q09	
	Standard	Expanded	Standard	Expanded
	(Percent)			
Total	4.9	9.8	8.1	14.8
By gender:				
Male	4.9	8.9	9.4	16.0
Female	5.0	10.8	6.8	13.6
By race/ethnicity:				
Black	5.7	11.3	14.7	23.2
White	3.0	6.4	3.7	9.5
Hispanic	6.4	12.8	9.3	16.4
Asian & other	5.5	9.7	7.1	12.2
By education:				
No HS diploma	8.8	20.1	12.2	24.1
HS, some college	5.8	10.5	9.5	16.9
BA or more	2.8	5.8	5.2	9.3

Source: NYC Comptroller's Office from CPS microdata

By the expanded definition, more than one in seven New Yorkers were unemployed or underemployed in the first quarter of 2009. Among African-Americans, the proportion was nearly one-quarter. Even among college-educated residents, the expanded unemployment measure was over 9 percent.

Coping With Unemployment

Unemployment is usually measured at the individual level but its impacts are often felt by entire households. Nearly 70 percent of the city's workers are heads-of-household, or are the householder's spouse or partner. The rest are the child of a household head, the sibling, the unrelated housemate, or one of a variety of other relations. All told, the average New York City worker lives in a household with 2.2 other people, so each instance of unemployment typically affects the economic circumstances of at least three individuals.

The average city household has about 1.2 workers residing in it, but workers reside in households with 2.0 workers, on average. That is because life-cycle factors often result in workers living with other workers (for example, a husband and wife in child-raising years) and non-workers living with non-workers (for example, college students or retirees). Overall, about 23 percent of city households have no member in the labor force and 41 percent have one labor force participant. That means that the majority of workers live in households with other workers, and the economic effects of unemployment are mitigated by the presence of other earners in the household. The flip side of having multiple earners in many households is that high unemployment rates affect a larger number of them. Based on the distribution of workers in households, we estimate that about 9.5 percent of all city households had diminished incomes due to unemployment during the first quarter of 2009, and that proportion will rise to about 12 percent by mid-2010.

While most resident workers live in households with one or more other earners, about 28 percent of city workers are the sole earner in their household. About half of them live alone. In those cases, unemployment can have a devastating effect on the economic welfare of the individual or the members of the household. Based on historical relationships, the Comptroller's Office estimates that by the first quarter of 2009, there were about 75,000 unemployed persons in the city who were the sole earner in the household prior to their unemployment.[7] About 40,000 of them live alone, and the rest are part of larger households. Until they are reemployed, this group is the most economically vulnerable and potentially most in need of public income support programs.

7 These characteristics are estimated from microdata tabulations from the 2005-07 American Community Survey, prorated to the size of the unemployed population in 1Q09. Ideally, figures would be estimated directly from the Current Population Survey (CPS), but the sample size of the CPS is too small to make reliable estimates of certain subpopulations of the city's unemployed.

The traditional income support program for the unemployed, whether they be the sole earner in the household or not, is unemployment insurance. The present system of unemployment insurance dates from the Social Security Act of 1935 and although states are not required to participate, all do. The federal government pays for state administration of the program, funds benefits for certain types of workers, and imposes standards and restrictions on state programs. The states set their own eligibility requirements and benefit levels, and determine the level of state payroll taxes necessary to fund those benefits.

In New York State most types of workers are eligible for unemployment compensation, providing the claimant has lost work through no fault of her own, is willing and able to work and is actively seeking work. To qualify, the claimant must have earned at least $1,600 in one quarter of the previous four quarters, and the total wages earned during the base period (the previous four completed quarters) must have been 1.5 times the high quarter wages. The benefits, which are fully taxable, typically work out to about 50 percent of the claimant's high-quarter gross earnings, up to a maximum of $405 per week. In effect, a beneficiary earning up to $42,120 annually during the base period will collect half of her accustomed weekly gross pay, with the proportion of earnings insured declining as earnings rises. For example, a beneficiary who earned $1,154 per week when employed ($60,000 annually) will receive about 35 percent of her previous earnings, while a beneficiary who earned $1,538 per week ($80,000 annually) will receive about 26 percent of her previous gross earnings.

Maximum benefit levels are lower in New York State than in adjoining states. The maximum weekly benefit is $547 in Pennsylvania, $560 in New Jersey, and $576 in Connecticut. In Massachusetts, the maximum is $900 per week. Maximum weekly unemployment insurance benefits in New York are, in fact, slightly below those of Kansas ($407). In 2007, the average weekly benefit for recipients in New York State was $294.54, or 25.8 percent of average weekly wages, a percentage lower only than Washington D. C. and Alaska.[8] Pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), unemployment insurance beneficiaries in New York and other states are eligible for $25 per week of Federal Additional Compensation through July 10, 2010.

Regular unemployment benefits, according to federal guidelines, are available for 26 weeks. In the 1970s, a federal-state Extended Benefits program was created to provided up to 13 additional weeks under certain high-unemployment conditions. A federal Emergency Unemployment Compensation (EUC) program was enacted in June, 2008, providing an additional 13 weeks of federally-funded benefits to recipients who have exhausted their regular state benefits; in November, 2008 the EUC program was expanded to 20 weeks with an additional 13 weeks for recipients living in states with high unemployment rates. The ARRA extended the period during which EUC claims can be filed and benefits paid. Currently, in New York State an eligible unemployed person can collect benefits for up to 72 weeks.

During 2006 and 2007, new initial claims for unemployment compensation in the city averaged about 7,000 per week. During the first half of 2008 they rose to about 8,000 per week, and during the second half of 2008 they exceeded 9,000 per week. During the first half of 2009 they were averaging over 12,700 weekly. By February, 2009, the total number of beneficiaries in the city had risen to almost 119,000, an increase of 57,000, or 93 percent, over the previous February.

Approximately 37 percent of the unemployed people in the city during the first quarter of 2009 were receiving unemployment insurance benefits, about the same proportion as in the nation as a whole. Although the proportion of unemployed workers who receive insurance benefits has been falling for many years, there recently has been an increase, as employees who are discharged from their jobs for economic reasons are the most likely to qualify for benefits. Nevertheless, approximately two-thirds of the people unemployed at any given time are not receiving benefits. Among the unemployed people who typically do not receive benefits are new entrants or reentrants to the labor force; people who voluntarily leave jobs; and workers who are discharged for misconduct. Also, undocumented immigrants cannot receive unemployment insurance benefits although they may be counted by the telephone surveys that are used to estimate the number of unemployed workers and the unemployment rate.

One of the biggest changes in the labor market in recent decades has been the growth of the self-employed workforce. Between 1977 and 2007, the number of self-employed workers in the city grew by over 500,000, more than doubling as a percentage of the city's employed labor force. The increase in self-employment occurred across a wide range of industries and occupations, including traditional professions, high tech and information activities, and child and home health care services.[9] The growth in numbers of these independent workers has brought many advantages to the city, but because they are not part of the unemployment insurance system, they present new problems for an income support system designed around traditional payroll employment.

[8] *US Social Security Administration. Annual Statistical Supplement, 2008.*

[9] *For a full discussion of the growth in self-employment, see the Comptroller's Economic Notes, Vol. XV, No. 1, January, 2007.*

Nearly seven of eight self-employed workers employ no workers of their own—they are “non-employer businesses.” The average annual receipts of the more than 700,000 non-employer businesses in the city in 2006 were only about $42,000, and for the 500,000 of them not in Manhattan, only $33,000. Data for these single-worker businesses do not go far enough back in time to determine whether their incomes are more sensitive to economic downturns, although there is anecdotal evidence to suggest that when business is slack, firms cut back on independent contractor purchases. Since many laid-off workers seek to continue working in their fields through independent contracting, it is likely that many independent workers will see their earnings decrease during this recession, as more of them compete for a smaller pie.

For many workers who have exhausted their unemployment benefits or who are not eligible for them, and do not have other significant earners in their household, means-tested forms of income support may be necessary. Through April, 2009, the city’s Cash Assistance (formerly, Public Assistance) rolls had increased by only 8,000 cases from their low point in September, but the increase in Food Stamp recipients has been much larger. Between September, 2008 and April, 2009 the number of Food Stamp recipients in the city had increased by 147,295.[10]

Outlook

Based on the available data, it is not possible to derive precise estimates of the income loss to city households who have incurred unemployment. In 2004, however, the Congressional Budget Office (CBO) conducted a national study of the incomes of unemployment insurance recipients during the 2001 recession and its aftermath.[11] The CBO found that, excluding unemployment benefits, the family income of beneficiaries with other earners in the family dropped on average 40 percent, and by about 26 percent when unemployment insurance benefits were accounted for. For families with a single earner, unemployment reduced incomes by 90 percent, and by 65 percent even when unemployment benefits were accounted for. Although the CBO study provides some indication of the income effects of unemployment, we believe that the cited figures somewhat understate the income losses experienced by the unemployed in New York City, both because the city has more single-earner households than does the rest of the nation, and because New York State’s unemployment benefits are so low relative to average worker earnings.

Although the city’s unemployment rate jumped a full point in May to 9.0 percent, there was some encouraging information in recent jobs reports. The city’s rate of job loss appears to have slowed considerably in April and May, raising hopes that the most virulent phase of the recession has passed and that the total number of jobs lost will be fewer than anticipated.

Even if the city’s jobs base stabilizes, however, unemployment is likely to continue to increase, and by mid-2010, some 400,000 New Yorkers may be unemployed. That suggests that over one million residents will be living in households whose incomes are severely diminished by unemployment and underemployment. ■

[10] *New York City Human Resources Administration, Department of Social Services. Trend Charts.*

[11] *Congressional Budget Office. Family Income of Unemployment Insurance Recipients, March 2004.*

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PUBLISHED BY
The New York City Comptroller’s Office
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